

EUROPEAN NEWS

Constitutional court will rule soon on takeover of companies, writes David White
Madrid grows nervous about Rumasa sale

IN A thin buff folder on a desk in a second-floor office of the Spanish Ministry of Finance lies the programme for a most extraordinary auction. The office belongs to the Director General of State Patrimony, and the secret schedule concerns 130 companies and groups of companies of the Rumasa concern, summarily taken over by the Socialist Government earlier this year and now due to be offered for re-sale.

Businesses ranging from construction to chemicals, shops to shipping, agriculture to advertising are to be put on the block some of them before the end of the year. A special five-man committee, at its last weekly meeting, assigned negotiators to lists of companies, covering Rumasa's non-banking interests. Government officials say several hundred preliminary applications have been received from both Spanish and foreign concerns.

But the start of Spain's Great Autumn Sale hangs on a crucial court decision. The Government is waiting for the Constitutional Tribunal to rule whether it was within its rights when it issued its decree on February 23 expropriating Sr Jose Maria Ruiz Mateo's rickety empire.

The verdict is expected by November 15 at the latest and officials are becoming increasingly nervous about its content, even though it cannot reverse the expropriation.

The appeals which have been lodged concern the original

decree and not the law which Parliament passed four months afterwards to the same effect. But if, as appears possible, the court raises serious objections to the decree, it will inflict a damaging political blow to Sr Felipe Gonzalez's cabinet, which was not unanimous at the time about using such heavy-handed methods against Rumasa.

The authorities are also anxious about any further challenge to the reprivatisation of a conglomerate which is simply accumulating losses. The group, according to a top official, is likely to end this year with a loss of Pta 75bn-83bn, no less—rather more than the auditors' calculations for 1982.

The central problem lies in one company, Rumasa S.A., which has as assets a group of companies losing Pta 20bn a year—as much as the biggest loss-makers in the public-sector steel, motor and air transport industries—and as liabilities the sum of Pta 370bn (£1.19bn).



Ruiz Mateos: in London

Sr Ruiz-Mateos, who is living in London, built up these liabilities during his last two years at the head of the group, when, according to the same official, he bought 40 companies either above or below the counter. Delayed payments for these operations, on which only 10-20 per cent was paid cash down, are reckoned to account for Pta 200bn of the total, the rest being made up by refinancing and private loans.

A simple sum based on a 20 per cent financing cost provides

Ruiz Mateos's fortune in the early 1980s—has stagnated in real terms since expropriation and exports may be down this year.

The divestiture plan envisages putting a first set of companies on the market within three months, but it is expected to take two to three times as long for deals to go through.

No companies are yet considered "ready to go" but some are obviously high on the list: for instance, Loewe, the fancy leather store which has a branch on London's Old Bond Street, or Hoota, Rumasa's chain of 35 modern hotels. Some others, on the other hand, have received no applications at all.

The last of the non-banking interests to be settled may well be the group's powerful wine holdings in Rioja and Jerez, where local lobbies have formed to prevent anyone, especially a foreign company, from taking a near monopoly.

With labels such as Garvey and Williams and Humbert—and a few others which were more discretely controlled—Rumasa cornered a good third of the sherry business. Dubious of the wisdom of selling all 19 wine bodegas either to one of Rumasa's big sherry competitors, or to a foreign company, or to a group of small local interests, the Government is thinking in terms of a Solomon solution involving all three.

In some instances, the feelings of insecurity have spread to clients. Turnover of Rumasa's sherry business, for instance—the source of Sr

through a separate channel, only two or possibly three are candidates for early divestiture. The remainder have their risks too tied up in Rumasa companies.

As the Government works out the cost of redefining the banks, other private banks can no longer retain hopes of getting off scot free from the Rumasa saga. The banking system will almost certainly be asked to put more funds into its stagnant rescue operation and share the burden with the state.

The political minefield lies on the left as well as the right of the Government. Orthodox sections of the Socialist party are unhappy about the prospect of the state paying for reprivatisation. At the same time, unions are preparing to demand jobs at Rumasa which the Government rather rashly promised to keep.

An open challenge from the Constitutional Court would raise the political heat and possibly make it harder for the Government to have the Rumasa problem largely settled and finished by the next general election in 1986.

Sr Ruiz Mateos faces charges if he returns to Spain. But his supporters now raise the possibility of compensation if, indeed, the Government was in illegal possession of Rumasa for four months. If the auditors have their figures right, the Government can hardly be blamed for its perplexed reaction: compensation for what?

Memorial promised at last to Katyn dead

By Christopher Robinson in Warsaw

MILLIONS OF flickering candles lit cemeteries across Poland yesterday as dusk fell on All Souls Day. It is a day when the nation remembers its dead with a special emotion.

In the days preceding, crowded buses, trains and cars carried Poles back and forth across the country, many bearing traditional large white or purple chrysanthemums to place on the graves of family and friends.

There is also a patriotic flavour to the day, as people place their candles at monuments to the dead in what seem like countless conflicts, and now, most recently, at the graves of those who died in demonstrations against martial law.

Piled high

In Gdansk and Wroclaw, Krakow and Warsaw, Powazki cemetery, the graves of young men like Mr Grzegorz Fraczynski, beaten to death by police last summer, were piled high with flowers and bedecked with Solidarity placards amid a sea of candles.

At the Warsaw military cemetery thousands crowded past the place where for years those who commemorated the dead in the Katyn massacre during the Second World War have silently placed their candles.

Thousands of Polish officers, prisoners of war were killed at Katyn in 1940 by the Soviet Union, a charge vehemently denied by Stalin who blamed the Germans, a version upheld ever since by Moscow, with the mostly silent and embarrassed acquiescence of the Polish authorities.

During the Solidarity period, demands grew for some form of memorial to the Katyn dead and vague official promises were offered that one would be erected.

Yesterday people at the military cemetery found a wooden fence around the symbolic Katyn square and stood standing in disbelief at an official sign on it declaring that a monument would, indeed, be completed by the end of this month.

Part truth

Most intriguing are the words to be inscribed on the monument and whose anonymous author has displayed signs of diplomatic genius. These are to be: "A monument to those Polish soldiers who lie buried in the soil of Katyn."

Many will find them inadequate, preferring their own unofficially sanctioned plans to an officially sanctioned monument which only tells part of the truth. But evidently this will have to do until the Soviet Union decides to revise its official history a little further and add Katyn to a long list of Stalin's admitted crimes.

Top Soviet generals and officials spoke to them in the Kremlin's gilded Katharine Hall, where Mr Boris Ponomarev, head of the Central Committee's international relations department, said human rights have been sacrosanct in the Soviet Union since its founding.

One of the Greens' MPs, Henk Muis, a former Czechoslovak who defended the ideals of the 1968 Prague Spring, was told by Mr Ponomarev that most Czechoslovakians were content just to leave their files behind in the hands of the independent East German peace movement which is harassed at every turn.

The Greens said, nevertheless, they were taken more seriously by Soviet and East German functionaries than by U.S. officials they met in Washington.

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U.S. poised to ease sanctions against Poland

BY STEWART FLEMING IN WASHINGTON

THE U.S. is about to ease some of the economic sanctions it imposed on Poland following the imposition of martial law in 1981. These include agreement to enter into talks with other governments about re-scheduling Poland's official debt, thought to amount to between \$2bn and \$3bn.

The precise measures which the Reagan Administration will announce were unclear yesterday, as the timing of the decision. Mr Larry Speakes, the White House spokesman, said some "measured steps" would be taken. He suggested that the successful visit of the Pope to Poland in June and the freeing of some political prisoners were helpful factors. But he added that there was still no dialogue between the Government and people in Poland.

The sanctions still in force include a ban on Polish fishing in U.S. waters, a ban on the Polish airline and on the supply of economic aid and high technology equipment. In addition, Poland was deprived of "most favoured nation" status in relation to U.S. tariffs and Washington has refused to allow government-to-government negotiations to start on re-

scheduling official debt in the Paris club of creditor nations. Agreement in principle to re-open these negotiations was reached by other nations in the Paris club earlier this year. It is argued that by refusing to reschedule Poland's debt, the creditor countries are merely depriving themselves of interest payments.

Deciding how far to go in easing the sanctions will have to be gauged partly in relation to the U.S. domestic political impact of the move.

David Buchan adds from London: The U.S. action, removing its purely bilateral sanction on Poland, would bring Washington into line with its Nato allies, which in January 1982 cut political contacts with and export credits for Warsaw and also froze discussions about Poland's official debt.

The last of these allied sanctions in the process of being dropped, with agreement in principle last July that Poland debt owed to Western governments should be rescheduled. A Western fact-finding team visited Warsaw last month, and it is thought that rescheduling negotiations proper may start this month.

Greek minister says EEC entry has harmed economy

BY ANDRIANA IERODIACONOU IN ATHENS

MEMBERSHIP OF the European Community has had a negative effect on Greece's economy, Mr Gerassimos Arsenis, the National Economy Minister, said yesterday.

An influx of Community products into the Greek market and large increases in the price of consumer necessities as key problems, Greece will have been a full member for two years on January 1.

Mr Arsenis listed on the positive side, the money which Greece receives through the Common Agricultural Policy, and the opening of the EEC market to Greek products. But entry has had a negative effect on the balance of external payments, introduced serious competition from Community producers and lowered the price of necessities to levels higher than the international average.

"If we add everything up, my opinion is that the net effect is negative," said Mr Arsenis.

According to European Commission figures, Greece is currently one of the main beneficiaries of the EEC. Thanks mainly to the CAP, net receipts

rose by 363 per cent to ECU 655m (£300m) between 1981 and 1982. This has helped sugar the pill of EEC membership for the Greek Socialist, said to come to nine months after accession promising to pull the country out of the Community following a referendum.

However, the agricultural trade balance with the EEC, which was in favour of Greece before entry, is now negative. The trade deficit with the EEC for manufactured goods also doubled in the first year.

The opposition yesterday stopped short of saying that Greece is considering leaving the Community. He indicated instead that the Government still hopes for a better deal on the terms of accession.

The Commission has already told Greece, however, that it opposes greater protection for its uncompetitive manufactured products.

France aims to shake up its forest industries

BY DAVID MARSH IN PARIS

FRANCE'S 1.5m owners of small woodlands are facing a shake-up under a government plan to improve the financial state of the country's loss-making forest industry.

Worried about a FF14bn (£1.15bn) foreign trade deficit last year in wood and wood products such as pulp and paper—accounting for a hefty chunk of the overall trade deficit—the Government wants to slice through centuries of uneconomic French tree management.

A Bill planned to go before the National Assembly in coming months will force smallholders, who account for 90 per cent of France's forest owners, to boost efficiency by teaming up in tree-felling with neighbouring proprietors.

France's impenetrable forests provided a steady backcloth to the Gallic wars but were logged back savagely to provide firewood, ships and cathedrals during the Middle Ages. Now, however, it has too many trees. From a low point of around 10m hectares (20m acres) in Napoleon's time, France's forest area has since sprouted to an over-sized 14m hectares (35m acres)—the highest in the EEC, and a blot on the economic landscape.

President Francois Mitterrand, who maintains a country property in Landes, south-west France, the country's thickest wooded region, has himself complained that an up-to-date French tree industry has failed to take root.

Apart from the trade deficit, other symptoms of France's serious lag in arboreal economic include the controversial workforce cuts now being made

at the country's largest paper-maker, La Chapelle-Darlay, and the bankruptcy earlier this year of several leading French furniture companies.

Mr René Soucheon, the Secretary of State for Forestry, said in a newspaper interview yesterday that the state of the wood market in France was "archaic". He called for forest-owners to branch out to more productive areas and to combine ecology with economics.

"Some people think that each time a tree is cut down, the forest is attacked. Reality is quite different. Beautiful forests' need economic and well-functioning outlets."

The aptly-named M Soucheon "souche" in French means "tree stump"—has come in for some stick from smallholders who feel that plans to force them into mergers go against the grain.

But M Soucheon yesterday said fragmentation represented France's major forestry problem. He plans to give state forest aids in line with well-managed enterprises. He intends to reduce inefficiency in the country's numerous sawmills, some of which, he said, are still working with methods 25 years old.

M Soucheon also aims to put his head on the block with a new regulation certain to upset another sector of the forest community. To guard against forest fires—particularly intense in the south in recent summers—householders in forested regions will, under government law, be obliged to cut down all trees in a 100-metre radius around their homes, against 50 metres at present.

Hungary finds it hard to keep the lid on the economy

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

"UNFORTUNATELY, real consumption will not decline this year," says an official of the Hungarian national bank. Others in the elegant, paneled central bank, with an enormous red star on its roof, will also vouchsafe that inflation is, if anything, too low in Hungary.

Such remarks in the Soviet bloc, where it is generally a matter of principle that living standards never slip under Socialism, at first strike the foreign ear as incongruous as Mrs Margaret Thatcher.

But Hungary, of course, is a little different. Mr Janos Kadar, the veteran Communist party leader, does not shoot from the rooftops that, in accordance with the one-year

agreement with the International Monetary Fund, Hungarians must tighten their belts. However, neither he nor his ministers have made any secret of their view that, if Hungarians are to maintain the highest standard of living in the Soviet bloc, they must make temporary adjustments to consume less, boost hard currency-earning exports and keep up payments on the country's foreign debt.

What has gone slightly awry in this IMF-assisted strategy is partly due to the very buoyancy of the Hungarian economy—or that large part of it known as the "second economy".

Prices are rising this year by 7-7.5 per cent, and wages in

centrally managed state industry by only 4-5 per cent. But Hungarians have more than offset this gap with the money many earn in the legal second economy where private initiative, though not necessarily private ownership, in producing extra goods and services is encouraged.

The other problem is the impact of this summer's drought which, in the view of Mr Janos Fekete, the deputy governor of the national bank, will hit hard currency-earning agricultural exports and may leave Hungary with a \$400m-\$500m surplus current account instead of the 1983 target agreed with the IMF of \$600m.

Mr Fekete maintains, however, that Hungary no longer has any problem meeting its foreign debt obligations. By the end of this year, about \$1bn due in medium-term debt will have been repaid out of the proceeds of its, albeit lower, current account surplus and \$600m borrowed from the World Bank and commercial banks this year.

The entire \$600m standby credit from the IMF is destined, he says, for the reserves. If Hungary is solvent, it is still not very liquid, Mr Fekete admits. No decisions have been made on whether to seek more money from the IMF next year—depending on the Fund settling its own cash crisis—when and how to lift the import

restrictions Hungary introduced in autumn 1982.

Officials freely admit that the curbs went against the spirit of their reforms designed to increase foreign competition in the small domestic market as well as to make it more price-realistic.

He links the two issues by pointing out that if Hungary were more liquid with a higher level of reserves it could more easily run the risk of lifting the import curbs on raw materials and components from the West. Financial security comes first in these storm-tossed times, he says, and Hungary will not import more goods without the money, perhaps from the IMF, to cover them.

Greens plea falls on deaf ears

By Leslie Collett in Berlin

WEST GERMANY'S left-wing Greens party is more convinced than ever that the Soviet Union and the U.S. are "mirror images of each other" on the issue of arms control, Frau Petra Kelly, one of the party's leaders, said here yesterday.

She said her colleagues have just ended six days of talks in Moscow and Berlin, where their call for unilateral disarmament fell on deaf ears, just as it had in Washington last month.

Although Soviet and East German officials pulled out all the stops to honour the Greens, the consensus among the party's representatives was that it was only a "window dressing".

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Profits rise sharply in Sweden

By David Brown in Stockholm

PROFITS IN Swedish industry have risen sharply this year, according to an official survey of nearly 500 large companies. Turnover has grown by an average 17 per cent and profits, after net financial costs, have more than doubled.

Pretax profits as a percentage of sales have climbed by 3.6 percentage points to 7.4 per cent, due mainly to better industrial productivity and also to lower net financial costs, reports Statistics Sweden.

The biggest improvements were recorded in the pulp and paper and the chemicals industries.

Export companies—defined as having more than a quarter of their sales abroad—showed a more positive development, with turnover up 20 per cent on the average and margins up nearly five percentage points.

First salvage attempt failed. Yesterday's handover marks the end of the Government's responsibility for the wreck. It follows weeks of inspection of the decks and superstructure by police, the official inquiry commission, and representatives of interested parties. The commission will make a supplementary report on its findings on-board.

By relinquishing the platform, the authorities are tacitly discounting the many unofficial theories about the accident's

Kielland wreck handed back to its owners

BY FAY GJETER IN OSLO

THE WRECK of the Norwegian North Sea hotel platform, Alnord Kielland, righted two months ago in a controversial operation that cost the state about Nkr 250m (£32.7m), was yesterday returned to its owners, the Norwegian Oil Insurance Pool. The Pool will either scutt it or sell it to a Norwegian breaker.

The platform capsized in a storm in March 1980 with the loss of 123 lives. It lay upside down in a fjord near Stavanger for nearly three years after the

first salvage attempt failed. Yesterday's handover marks the end of the Government's responsibility for the wreck. It follows weeks of inspection of the decks and superstructure by police, the official inquiry commission, and representatives of interested parties. The commission will make a supplementary report on its findings on-board.

By relinquishing the platform, the authorities are tacitly discounting the many unofficial theories about the accident's

cause and possible contributing factors. These, which could have affected the insurance settlement, maintained that the official inquiry had overlooked vital evidence. Most of the doubts were raised by the Kielland Fund, a group formed to represent the interests of the bereaved and survivors. The French yard which built the platform, has also been sceptical about the commission's conclusions.

The Fund wanted the Government to keep the platform for further examination—particularly of one strut, in which it believes an explosion may have taken place. Such examination would, however, have required a costly diving mission.

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AMERICAN NEWS

Brazil hopes to convince IMF on loan conditions

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL'S Central Bank Governor is due to arrive today in Washington for a final effort to convince the International Monetary Fund that Brazil is doing everything possible to meet IMF-stipulated economic targets before the Fund's board meets on November 18 to discuss the jumbo loan Brazil is seeking.

Tomorrow Sr Antonio Celso Pastore and other members of the Brazilian delegation are scheduled to meet the 12-member commercial bank advisory committee in New York, to discuss progress on the country's planned \$8.5bn jumbo loan. Participating banks have been asked to make their commitments by November 10, if possible.

Sr Pastore will be presenting his foreign creditors with the good news that the package of salary limitation measures and tax increases promulgated by the Government in recent weeks through a series of presidential decrees, and subsequently reshaped under intense political pressure, is likely to be passed by Congress next week.

But the bad news is that the inflation rate in Brazil still shows no sign of easing, so money supply and public sector deficit targets agreed with the IMF in September are again likely to be out of line.

Government-backed economic research institutions are privately predicting that the annual rate of inflation in 1983 is likely to be around 200 per cent, compared with a working figure of 152 per cent agreed by Brazilian and IMF technicians just six weeks ago.

Finance Minister, Sr Emanoel Gouveia's confidence that monthly price rises over the past quarter would average 5 per cent has been unjustified. The October figure is likely to be over 12 per cent, and would have been much higher if a batch of government authorised price increases had not been delayed to the start of this month.

While Brazil probably achieved its third-quarter target for the public sector deficit—the figures have not been published yet—the Government is bracing itself to face the uncomfortable fact that the nominal end-year total of Cr 19,350bn (£15.8bn) will probably be breached. In turn, this could threaten to provoke another suspension of IMF disbursements in March next year.

Sr Pastore is expected today to try to persuade IMF officials to take as its indicator the real reduction of the public sector deficit in terms of the gross domestic product.

How Brazil improved its trade surplus, Page 6

Grenada's junta 'forewarned of invasion'

By Canute James in Kingston

MR EDWARD SEAGA, Prime Minister of Jamaica, has claimed that the ruling military junta in Grenada, which was toppled last week, was forewarned of the impending invasion by a Caribbean head of government.

Speaking at a party political meeting in central Jamaica, Mr Seaga said the warning was given to Gen Hudson Austin, Grenada's former military ruler, immediately after a regional summit in Trinidad the week-end before the invasion.

Without naming the head of government against whom he was levelling the accusation, Mr Seaga said the warning to the Grenadians had "put at risk the lives of Americans on the island and Sir Paul Scoon, the Governor-General."

Government officials here, however, have said privately that Mr Seaga's attack was aimed at Mr Forbes Burnham, the President of Guyana, who last week described the leaders backing the U.S.-led invasion as "puppets and satellites" of the U.S.

U.S. landing fails to find Cubans

By Anthony Robinson

TWO companies of U.S. marines made a pre-dawn landing from helicopters and landing craft on Carriacou, the island off Grenada yesterday, but returned to base after ground searches had revealed no trace of armed Cubans or Grenadians, or arms caches.

The Pentagon meanwhile confirmed that at least 12 patients died when U.S. planes mistakenly strafed the mental hospital in the capital St Georges on Tuesday.

On the island itself, shops and markets re-opened and armed resistance appears to have ceased.

In St George's U.S. State Department official Tony Gillespie, who is acting as U.S. charge d'affaires in Grenada, met Sir Paul Scoon, the Governor-General to discuss arrangements for establishing an interim government and preparing for general elections.

From Barbados, Mr Guy Farmer, a U.S. information officer, told Reuters that the U.S. had no intention of turning Grenada into a U.S. base.

Cuba, meanwhile, has protested about U.S.-imposed delays on the repatriation of over 50 wounded Cubans on a specially chartered Red Cross plane. A further 600 un-injured Cubans are similarly awaiting permission for repatriation about a British ship.

Nicaragua, meanwhile, sought to overcome the U.S. veto of a UN security council resolution calling for withdrawal of troops from Grenada by requesting an emergency debate on the Grenadian crisis at the General Assembly. Approval for a debate will require a two-thirds majority of the delegates.

The U.S. has opposed the idea of an emergency debate but not a debate as such. It criticised Nicaragua and supporters of the motion for displaying "extreme hypocrisy and callousness towards the aspirations of ordinary Grenadians."

Radicals want to examine the debt books

BY ROBERT GRAHAM IN BUENOS AIRES

ONE OF the best gauges of public confidence in Argentina is the parallel market for the dollar. Just before the election the peso rate against the dollar was pushed up by nervous buyers. But since Monday's election win by the Radicals, the peso has firmed notably. An infectious sense of optimism has permeated the business community even though no one has forgotten that Argentina is in the throes of its worst ever economic crisis.

Optimism centres around one element: the clear Radical majority. This gives the new government a moral authority to implement a policy which no one anticipated—not even the Radicals themselves.

The Radicals had planned to introduce a form of social contract, trading wage controls in return for job creation and stimulating growth. However, their encroachment on the Peronist trade unions vote and the very size of their 52 per cent majority now makes such a policy more feasible and likely to succeed.

The Radicals' economic team is considered fairly orthodox and is well known to the international banking community. The two key posts of the economy ministry and the governorship of the central bank are likely to go to Sr Bernardo Grinspun and Sr Enrique Garcia Vazquez. Sr Grinspun is a long-time associate of the Radical leader Sr Raul Alfonsín and was one of the persons who helped negotiate Argentina's debt in 1975, and is now a leading private

banker. Sr Garcia Vazquez is a former economic councillor in Washington and a former vice-president of the central bank. There is also talk of the veteran 82-year-old Dr Raul Plebisch acting in a key advisory capacity with particular responsibility for Argentina's \$39bn foreign debt.

Dr Plebisch is an adviser to the UN and one of the most respected thinkers on the problems of third world economies. The margin for manoeuvre is limited. The main priority of

economic policy will be three pronged—to cut back Argentina's phenomenal 500 per cent inflation, stimulate a modest recovery in industry currently running at 50 per cent of capacity, and renegotiate Argentina's \$39bn foreign debt.

Unlike Mexico and Brazil, Argentina accumulated its foreign debt in the last five years while its economy only grew at around one per cent. The Radicals are anxious to get a quick look at the books in the central bank because econo-

mists are convinced that the full picture of Argentina's foreign debt has not been revealed. In particular a number of military purchases are believed to have been made that have not been properly supported. Between 1976 and 1981 the military are reckoned to have purchased \$9bn to \$11bn worth of arms.

In the issue of debt renegotiation the new administration is going to press harder for better terms, both for easier interest rates and longer periods of repayment. In 1984 Argentina has falling due \$5bn of capital repayments in the public sector and \$4bn in the private sector, with interest payments of \$4.8bn. In addition there are payments overdue from 1982 and this year which are expected to bring the total to about \$20bn. Argentina is in no position to cope with such a repayment. But the Radical economists believe that they will be able to show a reasonable trade surplus in 1983 of \$2.5bn.

Thatcher stays adamant on Falklands

THE British Prime Minister insisted yesterday that the election of a civilian government in Argentina will in no way alter Britain's refusal to negotiate over the future of the Falkland Islands. Margaret Thatcher writes.

Britain was keen to resume its economic and commercial links with Argentina, she

said in reply to Dr David Owen, the Social Democratic Party leader, but in the Falklands, the wishes of the islanders were still the prime concern.

This reinforces points made in a BBC radio broadcast on Sunday when Mrs Thatcher said that Britain would help the Falklands achieve independence if the islanders

wished it, though there would then be limits on British military assistance. But so long as the islanders wished to remain British, their right to self-determination should be upheld.

Mrs Thatcher's remarks have dismayed Tory backbenchers, who feel the Prime Minister has locked herself into an untenable position.

U.S. Treasury postpones refinancing plan

BY STEWART FLEMING IN WASHINGTON

THE U.S. TREASURY yesterday postponed indefinitely the first leg of its \$16bn (£10.6bn) quarterly funding after the Senate failed on Monday to approve a higher ceiling on the volume of Government debt permitted to remain outstanding.

The Senate had voted just before midnight on Monday not to approve an increase in the Federal debt limit from its current level of \$1,369bn.

The decision on whether to follow the House and raise the debt limit had been bogged down in the Senate for four days by debates over amendments attached to the debt Bill unrelated to Government

financing, and by efforts to hold the debt increase hostage against firm action in Congress to cut the Federal Budget deficit.

The Treasury's decision to delay the first stage of its three-part quarterly refinancing, planned for this week—the issue of \$6.5bn of three-year notes—was one of several steps the Government has been forced to take because of the doubts raised about its financing outlook.

It has had to halt sales of U.S. Savings Bonds and non-marketable Government securities and permit only \$4bn of a scheduled \$13bn social security

funds to be invested in Treasury securities.

It is expected, too, that the remainder of the quarterly refinancing planned for today and Thursday, will also have to be put off.

Measures to raise the debt limit have frequently been contentious, but it is rare for the Congress to fail to approve the increase when needed.

One reason why this has happened now is that the U.S. Treasury has some \$35bn of cash balances at banks and the Federal Reserve, which means that it can continue to conduct its day-to-day business for several days and will not have to

stop paying cheques and making other due payments.

It is widely predicted that now that some Senators have made their point, the Senate will in the next few days approve the debt increase.

Meanwhile, warnings from Mr Donald Regan, Secretary of the Treasury, that a delay would add to the cost of the quarterly funding by raising the rate of interest which the Government will have to pay, have been borne out by market developments.

Dealings in the Government securities market have slowed sharply and prices have drifted lower because of the uncertainty.

Reagan against N-restrictions

WASHINGTON — The Director of the Arms Control and Disarmament Agency said yesterday that the U.S. Administration strongly opposes legislation that would mandate more stringent U.S. controls on export of sensitive nuclear materials and technology.

He told a hearing of the House of Representatives Foreign Affairs sub-committee on international security and trade that two Bills — aimed at preventing the spread of nuclear weapons — would involve a "virtual ban" on nuclear co-operation with nations that do not have all their nuclear facilities under international Atomic Energy Agency safeguards. AP

Chile asks creditors for 90-day moratorium

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

CHILE has asked its 611 creditor banks for a further 90-day debt repayment moratorium while it completes the legal paperwork needed to reschedule some \$3.4bn in loans falling due this year and next.

Basic agreement on the rescheduling was reached in July when creditor banks also agreed to lend Chile \$1.3bn to cover its balance of payments deficit. But Chilean Government officials and leading creditor banks are still working on a legal contract to cover the rescheduling of public and private sector debt.

Sr Carlos Cáceres, Chile's Finance Minister, said in his telex to creditor banks that Chile was "on the verge of completing a model restructuring agreement which will allow individual Chilean borrowers to proceed with signature of their debt rescheduling arrangements."

It is understood that the agreement could be completed this month, which would mean that the new debt moratorium would be the last temporary arrangement imposed by Chile. It is scheduled to run until the end of January next year—exactly one year after rescheduling talks first started.

Terms of the moratorium will allow banks that have been receiving interest at a margin over eurodollars to switch to the more lucrative prime rate. This is a once-and-for-all concession by Chile and it follows a series of arguments on Latin American debt rescheduling

committees about what borrowers perceive as the sharp practice of banks seeking to switch reference interest rates to obtain the most lucrative deal.

Elsewhere in Latin America, slow progress with Venezuela's efforts to reschedule \$18.4bn in debt falling due this year has led to worries that some individual creditor banks may seek to negotiate side deals with their borrowers. This would break the solidarity needed in the banking community to push through a rescheduling on the best possible terms.

Like Chile, Venezuela is now seeking a further 90 day debt repayment extension. Sr Arturo Sosa, its finance Minister, says that interest on direct public sector debt has been brought up to date and more interest payments are coming in from private sector borrowers whose debt is guaranteed by the state.

Bankers in New York say that Venezuela has reduced its public sector interest arrears to around \$50m to \$70m, but the country's inability to negotiate an economic programme with the IMF ahead of next month's elections and continuing arrears on private sector debt payments are hampering progress on the rescheduling.

Sr Sosa claimed in his telex that arrangements for the private sector to purchase dollars for debt service purposes are now in place and "a substantial flow of interest payments is now possible."

NOTICE OF REDEMPTION

To the Holders of

ENTE NAZIONALE IDROCARBURI E.N.I.

(National Hydrocarbons Authority)

6 3/4 % Sinking Fund Debentures due June 1, 1983

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on December 1, 1983 at the principal amount thereof \$750,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. \$1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

22 11 35 38 47 60

Also Debentures of U.S. \$1,000 Each of Prefix "M" Bearing the Following Serial Numbers:

2 3230 3430 4430 5130 5330 6030 6530 8230 10630 26730 28830 29030 29730

On December 1, 1983, there will become due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment thereof of public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 18th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main offices of Morgan Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourg in Luxembourg-Ville.

Debentures surrendered for redemption should have attached all unexpired coupons appurtenant thereto. Coupons due December 1, 1983 should be detached and collected in the usual manner. From and after December 1, 1983 interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI

By: MORGAN GUARANTY TRUST COMPANY

OF NEW YORK, Fiscal Agent

October 27, 1983

NOTICE

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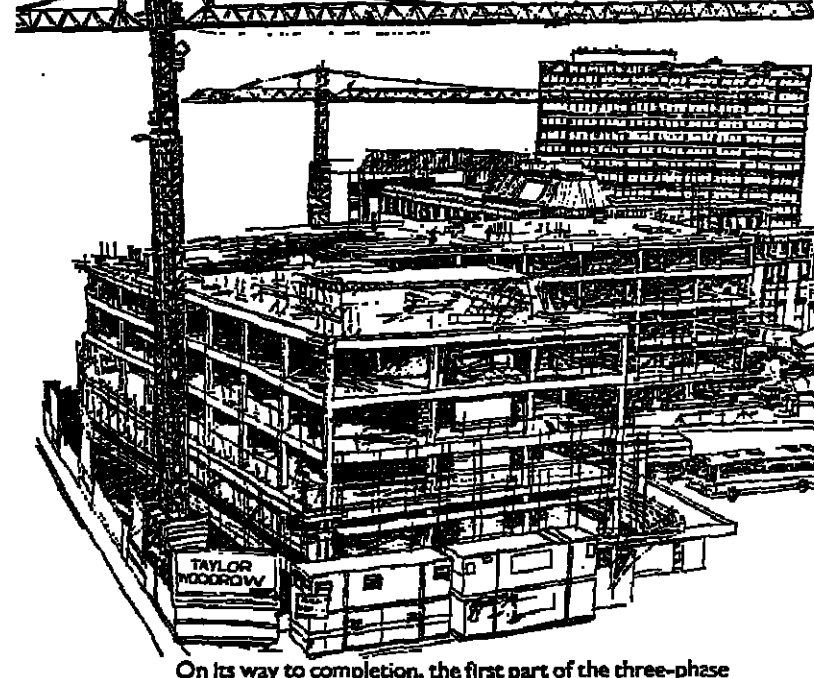


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Taylor Woodrow is busy completing its second project for Hambro Life Assurance. The first, the prestigious three storey Hambro Life Centre in Swindon, was awarded a commendation in the 1982 Financial Times Architecture at Work Awards.

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OVERSEAS NEWS

Gemayel and Khaddam hold surprise meeting

BY ANTHONY McDERMOTT IN GENEVA AND PATRICK COCKBURN IN BEIRUT

FULL-TIME peace talks aimed at securing a lasting political compromise in Lebanon began in earnest in Geneva yesterday, marked by a surprise meeting in the wings between Lebanon's President Amin Gemayel and Syria's Foreign Minister, Mr. Abdel-Halim Khaddam.

While details of either meeting were not made public, the talks between Mr. Gemayel and Mr. Khaddam were in themselves considered significant.

Syria has been a steadfast supporter of the Moslem opposition to Mr. Gemayel's Christian-dominated Government in the country's civil war.

But, while Syria is still keen that the agreement signed in May between Lebanon and Israel for the withdrawal of foreign forces should be rejected, it is now seen to be anxious that the peace conference should not fail entirely.

The tone of the larger conference, which involves all of the country's warring factions, was described as "less glacial" than Monday's preliminary session. Nevertheless, the conference was unable to produce its expected communiqué on any progress.

It is felt in Beirut that, despite plans put forward by opposition leaders in Geneva for wide-ranging political and social reform, most Lebanese would be satisfied if sufficient degrees of unity would emerge to prevent a complete breakdown of the ceasefire.

Exchanges of artillery and sniper fire in the hills around Beirut continued yesterday, while fears grew among diplomats that a resumption of fighting involving the U.S.

Israeli leaders yesterday asked Britain to end the arms embargo imposed after Israel's invasion of Lebanon last year. AP reports from Jerusalem.

The request came in talks with Mr. Richard Luce, Minister of State for Foreign Affairs, the first British minister to visit Israel since Lord Carrington's trip in April 1982.

An Israeli official said his country had no plans to buy weapons from Britain, but the embargo had symbolic importance.

Britain is the last of the European countries to maintain the embargo.

could follow President Reagan's pledge of retaliation against the group responsible for the bombings which killed 230 U.S. marines and 58 French paratroopers.

The Lebanese Army would also need strong support from U.S. naval artillery and air strikes if it is to make any headway against the Government's opponents.

Options open to the 34,000-strong regular army include an effort to clear the ridge line overlooking the capital, part of which is held by Druze militiamen, or a move into South Beirut.

This is the stronghold of the Shi'ah Moslem sect, members of which are thought to be behind the attack on the marines.

An obvious target for retaliation is the Bekaa Valley town of Baalbeck, centre for a number of anti-U.S. groups in Syrian-controlled Eastern Lebanon.

These include the Hizbullah, a pro-Iranian militant Shi'ah organisation, which at a rally in Baalbeck was reported yesterday to have welcomed the bomb attacks.

Sheikh Mohamed Yazbek, a leader of the Hizbullah, described the suicide missions against the multinational force as "a good action because it shook America's throne and France's might."

Warning that further attacks would be made, Sheikh Yazbek said the conference in Geneva would fail and the key to a Lebanese settlement lay in the Israeli evacuation of South Lebanon.

Meanwhile, the Druze have allowed the evacuation of 210 Christian civilians from the blockaded town of Deir al-Qamar. In any resumption of fighting, the 25,000 Christian refugees and 3,000 Christian militiamen in the town would be vulnerable to attack by Druze militia.

It was also being considered significant in Geneva that Mr. Richard Fairbanks, the U.S. special presidential envoy, was personally monitoring the conference, and had met Mr. Walid Jumblatt, the Druze opposition leader, and Mr. Suleiman Frangieh, the former Lebanese President with close links to Syria.

Observers included not only Mr. Khaddam but Mr. Mohammad Ibrahim Masoud, Saudi Minister of State for Foreign Affairs. Also in the wings was a senior member of Mossad, the Israeli secret service, who is known to be particularly involved with Druze policy.

S. Africans vote today on new constitution

By J. D. F. Jones in Johannesburg

WHITE South Africans go to the polls today to vote for or against a new constitution. The results — counted not according to parliamentary constituencies but in 15 regional areas — will be known by lunchtime tomorrow.

Opinion polls are banned in South Africa for the period preceding an election but most observers believe there will be a Yes majority of up to 60 per cent.

The No vote is split between the official opposition Progressive Federal Party (PFP) and the Conservative Party, the right-wing breakaway group from the ranks of the ruling National Party.

Some 2.7m whites qualify to vote. The Government has not yet indicated whether it will submit the constitutional proposals to a similar referendum in the Coloured and Indian communities, whom the new constitution proposes to bring into the white-dominated parliamentary system.

South Africa's 22m blacks have no standing in the poll, nor will their circumstances change under the new constitution. But their leaders have played a volatile role in the referendum campaign, unanimously rejecting the constitutional plan.

Many whites who are normally opponents of the National Party Government are expected to vote Yes on the argument that the constitution may have shortcomings but is "a step in the right direction."

S. Africa referendum, page 16

Pakistan warns Afghanistan

ISLAMABAD — Pakistan's Foreign Minister Sahabzada Yaqub Khan claimed yesterday that helicopter attacks from Afghanistan had violated his country's airspace 44 times during the past six months.

He gave a warning that further instances could lead to "serious consequences."

He told the Federal Advisory Council that the armed forces had been put in a state of readiness to meet any future threats.

Muzorewa arrested on subversion charge

BY TONY HAWKINS

BISHOP Abel Muzorewa, a former Prime Minister of Rhodesia and now an opposition member of Parliament in Zimbabwe, was arrested by security police on Monday accused of subversive activities in connection with South African bandits.

A Zimbabwe Government statement yesterday said the Bishop had planned to travel abroad on a trip that would include a few days in South Africa "to be reunited with his intimate friends in the last days of the South African Government."

The Minister of State for Security, Mr. Emerson Mumbengegwa, said the Bishop had been arrested under a new Operation Chimvavada — a scheme for scorched-earth designed against "subversive elements connected with South African bandits."

It had been assumed earlier that Bishop Muzorewa's arrest was a result of his role in the 1980-81 church business, during which he was reported as urging

Zimbabwe to establish diplomatic relations with the Israelis.

Zimbabwe is strongly anti-Israel and at the weekend, the Bishop was reportedly attacked by Prime Minister Robert Mugabe for his reported suggestion.

But yesterday's statement from Harare renewed longstanding allegations by the Mugabe Government that the Bishop was involved with 5,000 anti-Zimbabwe guerrillas being trained by the South Africans as part of their destabilisation programme in Southern Africa.

There was no firm news as to where the 65-year-old Bishop was being held, but his family said that he believed he was being detained in Harare Central Prison.

The Bishop was Prime Minister of the short-lived state of Zimbabwe-Rhodesia during 1978-79 prior to the Lancaster House Agreement that conferred legal independence on Zimbabwe in April 1980.

His political party was virtually wiped out at the pre-independence elections when it won only three of 80 seats for black MPs.

Since then, the Bishop has maintained a low profile politically, occasionally criticising the Government of being opposed to the Church and of seeking to establish a one-party state in Zimbabwe.

He is not a popular figure in Zimbabwe, where the majority of blacks regard him as a "sell-out" who sent his white-led troops and warplanes against the Mugabe-led Frelimo guerrillas in Mozambique just before the Lancaster House talks started.

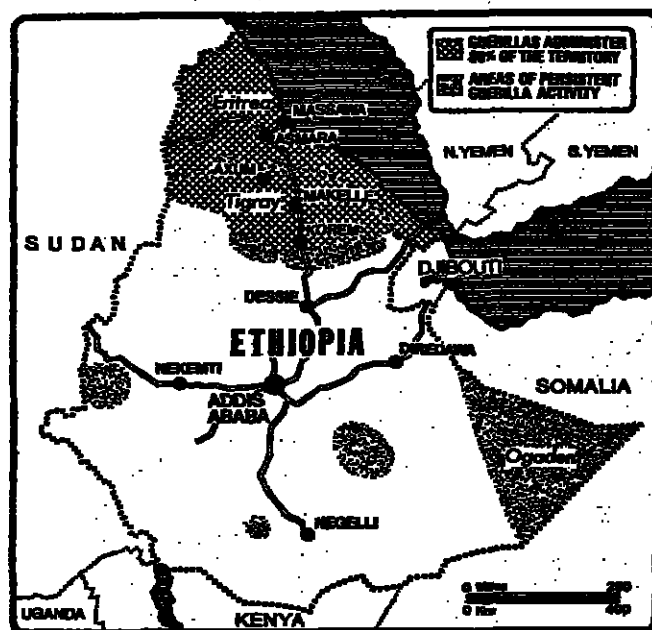
Bishop Muzorewa's family said yesterday that he had been arrested by agents of the Internal Intelligence Organisation acting under Zimbabwe's emergency powers legislation which entitles the police to hold detainees indefinitely without trial. His wife, Margie, and two of his sons tried unsuccessfully to see him and his



Bishop Muzorewa was also said to have been refused access. Bishop Muzorewa denied at the weekend that he had suggested that Zimbabwe establish diplomatic ties with Israel.

Kirsty White, recently in Tigray, on the battles facing Mengistu

The threats to Ethiopia's stability



THE PROTAGONISTS

● **Tigray Peoples Liberation Front (TPLF):** Operating since 1975 in Tigray Province and more recently with other organisations in the self-determination of the estimated 4.5m to 5m Tigrayans. Controls up to 85 per cent of Tigray.

● **Eritrean People's Democratic Movement (EPDM):** Main national movement whose objective is the formation of a democratic, independent Republic of Ethiopia. Operating since the end of 1980, most recently together with TPLF.

● **Eritrean People's Liberation Front (EPLF):** Formed in 1970 and aiming for the independence of the ex-colonial colony of Eritrea, annexed by Ethiopia in 1962. Controls up to 85 per cent of Eritrea. In 1980, Ethiopia rejected an EPLF referendum proposal for the territory.

● **Eritrean Liberation Front (ELF):** Operated in Eritrea from 1961 until August 1961 when it was pushed out by Eritrean forces. Severely weakened by internal dissent, it split into three factions.

● **Western Somali Liberation Front (WSLF):** Operating in the Ogaden and reaching its peak with direct Somali Army support in 1977, but after their 1978 defeat at Ethiopian hands, WSLF restructured itself with the aim of achieving the self-determination of Western Somalia.

The origins of the conflict go back to the turn of the century, when the province was incorporated into the expanding Ethiopian territory of Emperor Menelik. After years of sporadic protests, matters came to a head in 1974, when the former Ethiopian Government refused the province's demands for self-determination, which had so long resented the rigid authority of the Amhara dynasty in Addis Ababa. If anything, central control became stricter. So, in 1975, the Tigray National Organisation set up to foster the cultural identity of Tigrayans and began military operations in the north of the province. In the last eight years it has gradually extended its influence to control most of the countryside.

The TPLF is essentially a peasant-based movement, and its educated young leaders, many of them teachers or students, have made big efforts to develop civilian services and organisations such as health centres, cooperatives and women's associations in the wake of their military operations.

However, the prolonged drought has weakened support on the life of the province. Huge numbers of the population of the central, southern and

eastern regions have been forced to move to the west of Tigray, the only part unaffected in search of food, shelter and support. More than 500,000 people in the western region are now almost totally dependent on relief supplies distributed through the Red Cross.

The problem for the international aid agencies is that they have to perform a political balancing act to be active on both sides of the front lines.

As far as fund-raising is concerned, most of the organisations set aside an agreed proportion of cash donated for Ethiopian relief to be used in the guerrilla-controlled areas. In Tigray, Red is the only organisation actually implementing relief operations; the role of donor agencies is limited to information-gathering and monitoring aid distribution.

In spite of the difficulties, more belated aid is now reaching the famine-stricken population in TPLF-controlled areas. Some 4,000 tonnes of donated grain and medicine have been trucked into distribution centres and clinics in Tigray's western region where fugitives from the drought gather about 10 days' emergency rations before dispersing again to surrounding villages.

Now that the big rains have finished, transport across the territory will be quicker. But relief agencies active in the region are pointing out that a further 120,000 tonnes of grain must be shipped into Tigray by December to avoid both widespread starvation and massive emigration.

The case of Tigray illustrates the paradox of Ethiopian politics. By refusing to recognise the right of the Tigrayans to a degree of self-government, the Addis Ababa regime is drawn into a fruitless struggle of violence, matched by the growing military strength of the TPLF demonstrated by recent incursions into the heartlands of Ethiopia, in Wollo and Gondar, far from its native bases.

On the other hand, the military aims of the TPLF are necessarily limited. The might of the Ethiopian machine, supported by sophisticated and expensive Soviet weaponry and air cover, is unlikely to be crushed by guerrilla forces.

In the long-run, a political settlement is the only solution to the military stalemate. However, if the TPLF fails to make any progress with its current demand for autonomy within a democratic federation of Ethiopia, it may be forced to pursue the more radical path to secession and independence.

Kohl missile pledge to Nakasone

BY JUREK MARTIN IN TOKYO

DR HELMUT KOHL, the West German Chancellor, yesterday assured Mr. Yasuhiro Nakasone, Japan's Prime Minister, that the West would oppose any moves by the Soviet Union to relocate any of its SS-20 missiles now based in Europe in the Asian theatre.

Mr. Nakasone's insistence that any intermediate nuclear force agreement must be of global dimensions is well understood both in the U.S. and Western Europe, in spite of the possible complications it could cause in the currently unlikely event that the U.S. and the Soviet Union

get down to serious bargaining in Geneva.

Mr. Nakasone considers it important to get this point over for domestic consumption as well as to the succession of foreign leaders he is entertaining in Japan over the next month.

President Ronald Reagan of the U.S. is due in Tokyo on November 9, while Hu Yaobang, the Chinese Communist Party Secretary-General, arrives later in the month.

In the first round of talks with Mr. Nakasone yesterday, Herr Kohl was reported to have said

that West Germany would take delivery of new Pershing missiles as scheduled, to be operational late in December.

He added that he did not anticipate any meaningful exchanges between the U.S. and the Soviet Union in Geneva until after the missiles were deployed.

Herr Kohl's talks with Mr. Nakasone were devoted to local issues; currently, West German-Japanese relations are largely devoid of friction.

It is not clear whether Kohl did not bring any of his senior Ministers with him to Tokyo.

Pakistan warns Afghanistan

ISLAMABAD — Pakistan's Foreign Minister Sahabzada Yaqub Khan claimed yesterday that helicopter attacks from Afghanistan had violated his country's airspace 44 times during the past six months.

He gave a warning that further instances could lead to "serious consequences."

He told the Federal Advisory Council that the armed forces had been put in a state of readiness to meet any future threats.

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Moroccan troops in big Western Sahara offensive

BY FRANCIS GHILES

THE offensive which 18,000 Moroccan troops launched in the Western Sahara last week is the first military operation on this scale to take place in this former Spanish colony since October, 1982.

It comes at a time when discussions about the future of the territory within the framework of the Organisation of African Unity have reached a stalemate: last July the OAU summit in Addis Ababa adopted a resolution calling for a referendum of self-determination before the end of this year.

Meeting refused

King Hassan accepted the resolution but has been adamant in his refusal to meet representatives of the Polisario Front which have been fighting for the independence of the Western Sahara for the last 10 years.

Since the winter of 1975-76, when the Spanish left their former colony abruptly and Moroccan troops moved in, a state of intermittent warfare has reigned.

In October 1982, the Moroccan garrison in Guelta

Zemmour, in the central part of the Western Sahara, close to the Mauritania border, was overrun by Polisario guerrillas.

Then, for the first time since 1975, the guerrillas used SAM 6 missiles with which they inflicted heavy damage on Moroccan military aircraft.

Defensive wall

Since then, the Moroccan army has concentrated its efforts on building a defensive wall, which includes electronic surveillance equipment, along the Djebel Ghazal mountains in southern Morocco and around the north-western corner of the Western Sahara.

This includes the rich phosphate mines of Bou Craa and the capital of the territory, El Aïun.

Polisario guerrillas have attacked these defences, notably at Lemsiyay last July.

The Moroccan offensive comes before a debate later this month on Western Sahara in the Decolonisation Subcommittee of the United Nations.

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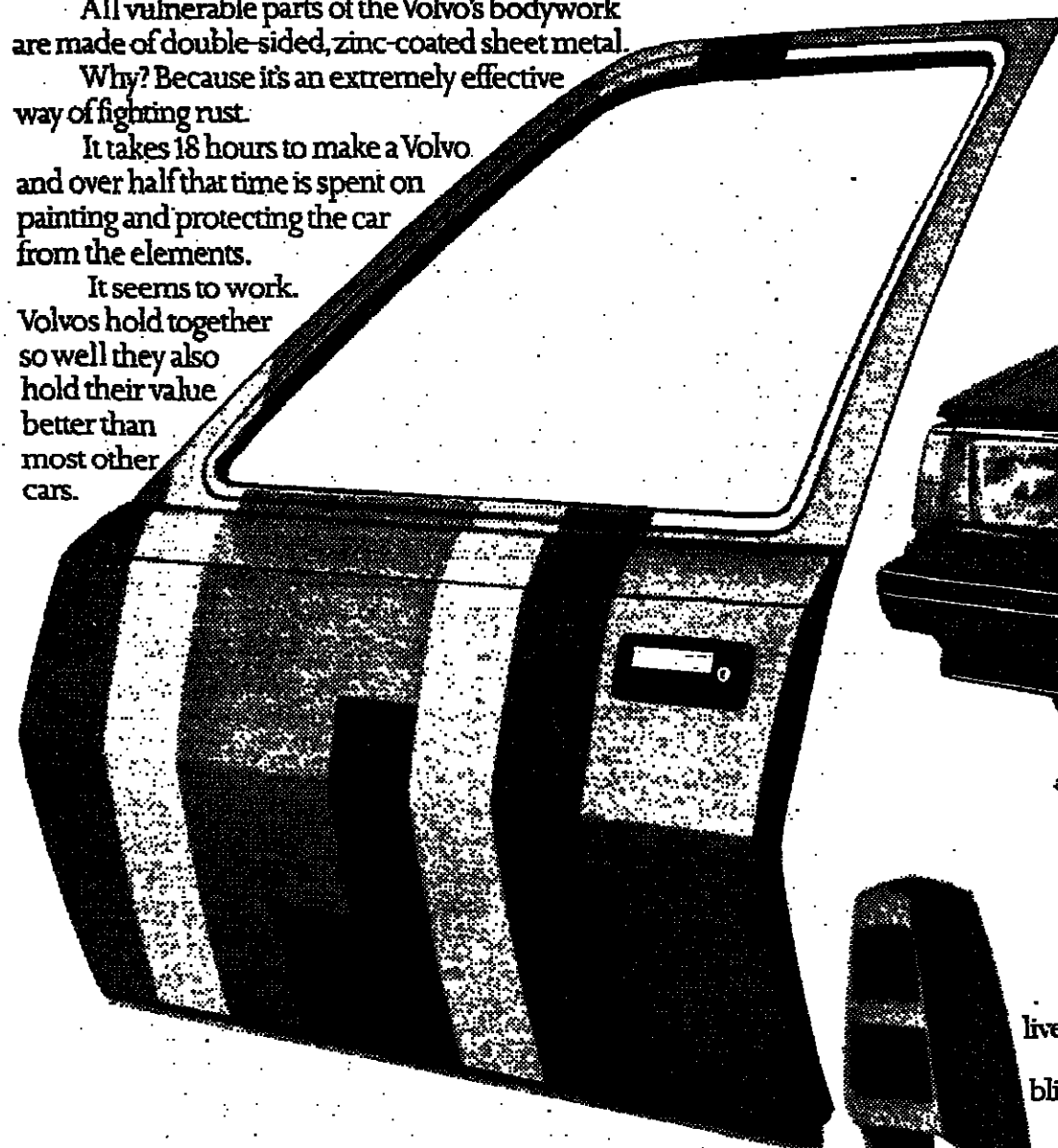
Financial Times Wednesday November 2 1983

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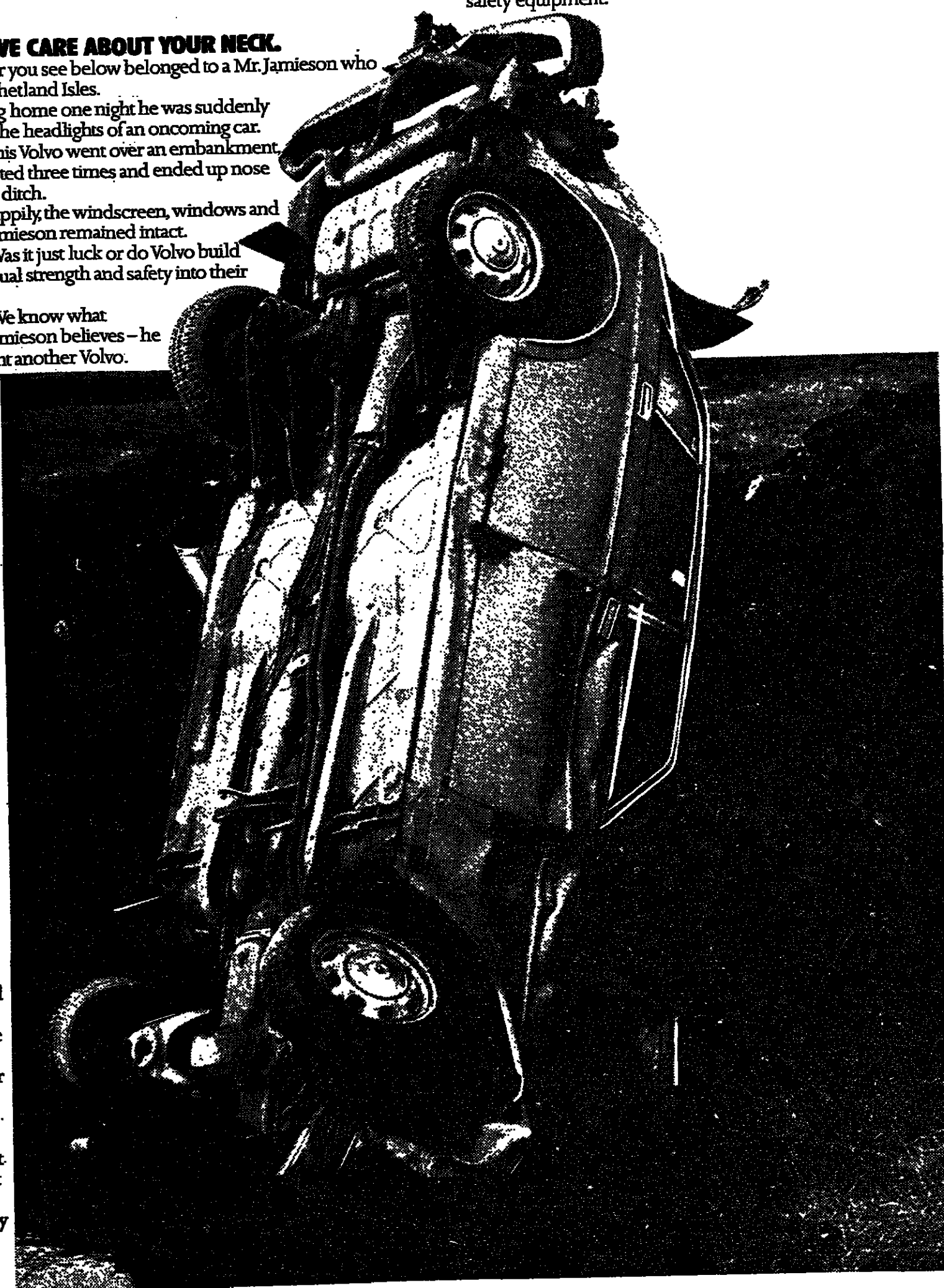


WE CARE ABOUT YOUR FUTURE.

According to statistics gathered each year by the Swedish government, the Volvo has an average life expectancy of 19.3 years.

That's longer than any other car tested and good enough to take you well into the 21st century.

Of course, we know that most of our customers don't want to keep their cars that long but that kind of quality does keep them buying Volvos.



FOR 25 YEARS, VOLVO HAVE BEEN CARING FOR THE BRITISH MOTORIST.

It seems as though Volvos have been around for ever.

Yet, in fact, we only started importing them in 1958.

In our first year we advertised the car as being "For the fortunate few."

An early example of truth in advertising for we had very few customers.

Just 47 to be precise.

The next year, business started looking up and it's been that way ever since.

This year, we'll register over 60,000 cars.

On our 25th anniversary we'd like to thank all our Volvo dealers.

Without their skill and professionalism we might still be stuck with our original slogan.

We'd like to thank, too, all our British suppliers from whom we buy more than £100 million worth of components each year.

But most of all we'd like to thank our customers and pay tribute to our car.

Over 80% of the Volvos we've sold here are still on the road.

A staggering thought.

And the best advertisement any car maker could have.

To: Volvo Concessionaires, Lancaster Rd, Cressex Estate, High Wycombe, Bucks HP12 3PN. Please send me a Volvo 25th Anniversary Information Pack.

Name

Address

Postcode **VOLVO**

WORLD TRADE NEWS

Japan fixes 1.85m limit on 1984 car sales to U.S.

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

JAPAN IS to limit its exports of passenger cars to the U.S. to a maximum of 1.85m during the year beginning on April 1 1984, the Ministry of International Trade and Industry (MITI) announced yesterday.

MITI stressed that the decision to continue limiting car exports, which were first placed under restraint in the spring of 1981, was made unilaterally by Japan. It is an open secret, however, that the Japanese Government has come under heavy pressure from the U.S. to maintain the export restraint policy.

Agreement on the figure for exports in the coming year was actually reached on Monday during discussions between the MITI Minister, Mr. Sosuke Uno, and the U.S. Special Trade Representative, Mr. William Brock.

Mr. Brock yesterday welcomed the Japanese decision which he said would allow Japanese car makers a "modest" sales increase in the U.S. next year while also meaning that "more new cars sold in America will be built in America." He went on to say that he hoped it would not be necessary for Japan to continue limiting its car exports to the U.S. beyond the spring of 1985.

MITI officials described the decision to continue export restraint as an "interim measure" designed to prevent a sudden upsurge of car shipments to the U.S. after the end of the original three-year period, during which the number of exports has been, in effect, frozen. They said that the first

round of restraints had served the purpose of allowing the U.S. industry a breathing space during which to adjust to changes in the pattern of car demand following the 1979 oil shock.

The figure of 1.85m units fixed upon for 1984-85 represents a 10 per cent increase from the level of 1.68m units at which Japanese annual car exports to the U.S. have been pegged since April 1981. However, it does not follow that all of Japan's car makers will be allowed to increase their exports by as much as 10 per cent.

The 1984 export ceiling covers shipments by two Japanese car manufacturers, Suzuki and Isuzu, which were not given export allocations in 1981. Both companies are expected to compete to supply cars to General Motors for sale in the U.S. under a GM label.

Japan's decision to continue restricting its car exports to the U.S. for at least one more year comes two weeks before a visit to Tokyo by President Reagan during which bilateral trade issues seem likely to figure prominently.

Apart from cars the two countries have been at odds over Japan's reluctance to enlarge its import quotas for farm products and over the alleged tardiness of Nippon Telegraph and Telephone (the state telecommunications entity) in increasing its foreign procurement.

Mr. Brock said he had made progress on these and other issues during three days of talks in Tokyo, but declined to give details.

Airbus may have to reduce output to three a month

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European airliner manufacturing group, may be obliged to cut its production rate even more severely than originally planned next year, if the current slump in orders from the world's airlines continues.

The group, for which British Aerospace builds the wings for both the A-300 and A-310 Airbus, has a capacity for up to eight aircraft a month from its Toulouse, France, assembly line.

This has already been reduced to five aircraft a month to meet a shortfall in orders, but may now be reduced further to three aircraft a month in 1984.

Mr. Roger Betteille, managing director of Airbus, told Reuters that the drop in airline orders was hitting Airbus along with other manufacturers.

The European group was likely to have up to 20 or so undelivered aircraft on hand by the end of 1983, as a result of delivery delays and cancellations of orders.

But Mr. Betteille remained con-

scious of the long-term revival of demand. "The need is there, and nothing leads us to doubt the development of air transport," he said.

The next 15 years the world market could amount to between 6,000 and 7,000 aircraft, and Airbus Industrie expected to fill at least one-third of that market.

"Right now, there is no market for new aircraft in the U.S.," said Mr. Betteille. Airlines there could not make even medium-term projections, since their profitable operations could be taken over easily by competitors.

Airbus is nevertheless pushing its sales programme worldwide. It is currently discussing major sales opportunities in both Australia and China, although both countries present problems.

In Australia, Airbus has been offering participation in development of the project A-320 150-seater aircraft to meet that country's demand for industrial compensation for any aircraft order.

India wants own ships to carry 40% trade

By K. K. Sharma in New Delhi

THE INDIAN Government plans to bring legislation to make it obligatory for at least 40 per cent of all cargo imported by and exported from this country to be carried in Indian ships. This is meant to improve the finances of government and private shipping companies which are at present suffering heavy losses.

Before the recession in shipping, about 32 per cent of cargo from and to India was carried in Indian ships but last year this fell to less than 25 per cent. The reason is the insistence of overseas customers—particularly Japan which buys substantial quantities of Indian iron ore—on using their own ships.

Shipping Ministry officials say that the legislation contemplated is in conformity with the U.N. liner code and claims that several other countries have enacted similar laws.

Cargo imported by and exported from India last year was 96m tonnes and is expected to grow because of the increase in trade, particularly imports of substantial quantities of wheat to build up buffer stocks.

While Mr. Channon admits the figures are depressing, he considers it unfair to examine bilateral balances in isolation.

Mr. Channon's view taken at the Williamsburg economic summit last spring that it is right that developing countries which are deep in debt should be able to export to the developed countries as a means of helping to pay off those debts.

But the problem he faces is that if countries such as Brazil (\$9bn trade surplus projected for 1984) are going to make an export-led recovery, trade imbalances, which presently are just about acceptable, are going to get out of hand, unless British exporters start making some kind of impression on the Latin American market. Their task will hardly be made any easier by the tightening of import controls, the raising of tariff barriers and the general shrinkage in markets of the area's major trading partners in the wake of the world recession.

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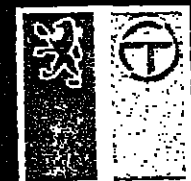
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PRESENTING THE NEW 505 GTI. IT'S EVERYTHING YOU NEVER EXPECTED FROM PEUGEOT.



PEUGEOT TALBOT A NEW SENSATION ON THE ROADS.

Peugeot have traditionally appealed to the mind of the intelligent car buyer. When qualities like durability and reliability, they have always, quite simply, made sense. Well, now they do something for your senses as well. The new 505 GTI is one of the few breed that make Peugeot more exhilarating, more exciting, more exclusive. A new sensation on the roads. The 505 GTI's raked bonnet sweeps back aerodynamically, a functional rear spoiler. The 2.2 litre alloy engine is fuel-injected to take you from 0 to 60 mph in less than 10 seconds. You control it by a five-speed gearbox that's as smooth as it is precise.

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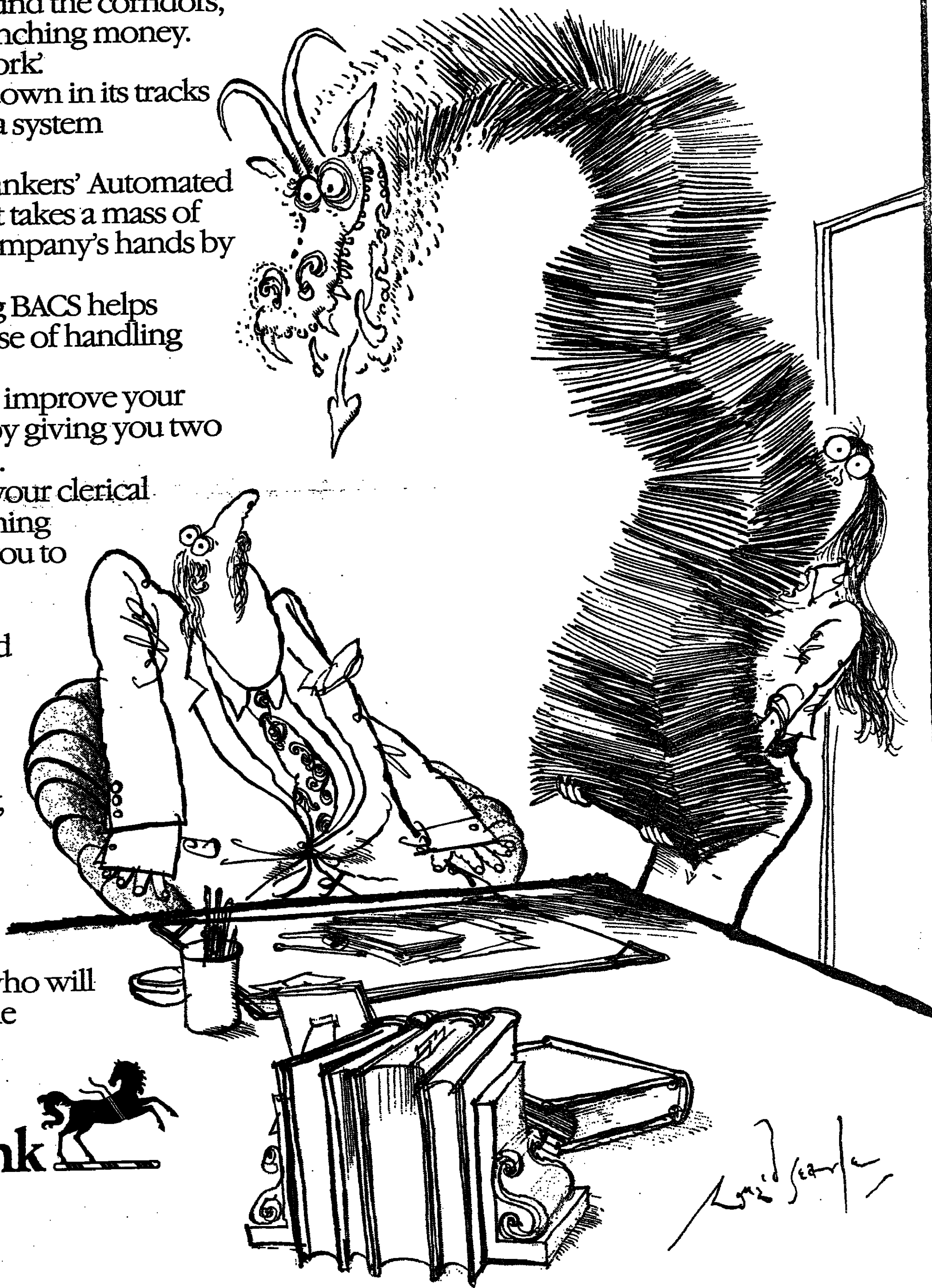
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BANK OF AMERICA 

UK NEWS

Strong recovery in chemical industry output

BY CARLA RAPOPORT

THE UK chemical industry has made a strong recovery in output this year, the first sustained improvement in the sector for nearly four years.

According to the UK Chemical Industries Association, output showed an overall growth of 5 per cent in the first eight months of 1983, compared with the same period last year.

Apart from a brief recovery in late 1981, this represents the industry's first solid upturn since the third quarter of 1979.

The improvement, however, has not been equally spread. Sales of organic chemicals and plastics have been particularly encouraging, with growth rates of 6.9 per cent and 7.5 per cent respectively in the first seven months of the year. At the same time, inorganic chemicals and synthetic rubbers have remained in decline.

Major companies continue to stress the patchiness of the recovery. "Certain companies reported a considerable rise in advance orders during September, beyond the normal seasonal pattern, indicative of restocking by major customers," the association says.

Exports and home sales have been rising at fairly equal rates, but continue to be outpaced by rising imports.

Firming demand and cutbacks in capacity have led to improvements in prices for most petrochemicals and plastics. Some temporary product shortages are reported. The improvement, however, has not been translated into substantially improved profit margins.

The association claims that producers have been squeezed between the high costs of its feedstocks and raw materials, which are priced in U.S. dollars, and the relatively low value of the D-Mark, the currency in which most European products are sold, against sterling.

Domestic sales output prices rose by 4.5 per cent this year, while the prices of raw materials and fuels rose by 7.7 per cent.

Recent developments in other cost components, such as the small decline in interest rates, and reductions in wage costs per unit of output, have been more encouraging.

If these trends continue, a recovery in profit margins may be forthcoming, the association adds.

Fleet Holdings rescues TV-am

By Raymond Snoddy

FLEET HOLDINGS, publishers of the Daily and Sunday Express newspapers, has come to the rescue of TV-am with a £2m investment which will give it 20 per cent of the enlarged equity of the commercial breakfast channel.

The Fleet stake is part of a £4.5m refinancing of TV-am which Mr Timothy Aitken, chief executive, and a grandson of Lord Beaverbrook, said secured the future of the company. At one stage this year, it was losing money at the rate of £1.6m a month.

Fleet, which will now be the second largest shareholder in TV-am after Aitken Telecommunications, got the shares for £1.25 each, the same price as the founders, when, according to Mr Aitken, "TV-am was a greenfield site".

Mr Ian Irvine, managing director of Fleet, will join the TV-am board. The other £2.5m of the refinancing comes from existing shareholders, particularly Prudential Insurance, Barclays Merchant Bank and Aitken Telecommunications, the private investment vehicle of the Aitken family.

The refinancing and the restructuring of the company has to be approved by the Independent Broadcasting Authority.

TV-am said the deals approved at an extraordinary general meeting yesterday completed the company's restructuring process started by the new management six months ago.

Mr Aitken says the "argy-bargy" of the weekend when there were rumours that TV-am had collapsed and then that the refinancing was in difficulties, had accelerated the decision-making process.

Europe edges closer to the 'dream' credit card

Banks are on the threshold of a plastic cash wonderland.
David Lascelles reports.

THE DAY when the European tourist can roam the continent with nothing but a plastic card that fits thousands of bank cash machines and payment terminals is less than five years away, probably as little as three.

This can be said with some certainty now that Eurocheque, the Brussels-based international payments system, has launched an ambitious scheme to pull together cash and payment points in more than a dozen countries.

At the same time, Visa, the international credit card organisation, hopes to link up half a dozen European countries with the U.S., Japan, Hong Kong and a few other countries by the end of next year.

New technology, of course, holds the key to these major advances in banking convenience which will allow a machine in Tokyo to issue cash to an itinerant Finn and debit his bank account in Helsinki. But the real challenge has been to get banks to agree on a common denominator so that cards issued by hundreds of banks can activate thousands of different machines, and deduct the right amount for the right amount - all quickly and securely.

It has, for example, taken Eurocheque two years to agree on a code that will pull together 19 different payment systems in 14 countries. This is quite an achievement for an organisation that has 15,000 members and is still haunted by its failure 15 years ago to find a common code for clearing international cheques in Europe.

But it also marks a determined effort by European banks to thrust their co-operation into the electronic age, having achieved signal success in the paper age with their standard Eurocheque, backed by a guarantee card which can be written in any European currency. It is

now universally accepted by banks and, increasingly, by retailers.

By the 1983 holiday season, Eurocheque hopes to have 14,000 machines in the system, most with instructions in at least English, French and German. That number will rise to 25,000 by 1988. A pilot project involving Midland Bank of the UK and various banks in Germany, France and Spain will be in operation in time for next summer.

Customers of participating banks will get a new Eurocheque card with a special magnetic strip and their own identification number. For security reasons, they will be able to draw only the equivalent of SwFr 300 a day. This is because the Eurocheque system is not "on line": cash machines cannot check a cardholder's account to see if there are sufficient funds to cover the withdrawal.

The Visa system, on the other hand, will be on line, which means banks will be able to offer a more flexible service, though there will probably be cash limits here too. Visa will have about 1,500 machines by next June. Most will be in banks but some will be specially installed in busy tourist locations such as airports. European countries in the scheme are Spain, France, Italy, Norway, Sweden and Finland.

The next step will be to link up more point-of-sale (POS) terminals - machines which debit a cardholder's account on the spot for purchases at shops, garages and hotels. But that will take longer because POS is still at an earlier stage of development than cash machines, though this should make agreement on a common denominator that much easier.

Mr Harald Omdal, director of the Norwegian Bankers' Association, who is heading the Eurocheque effort, says: "The scenario of the Scandinavian customer driving through Europe to Spain or Italy, paying at petrol stations, supermarkets and hotels at POS terminals and retrieving cash in local currency at any time any day from machines is not science fiction."

Mr Omdal believes it will all happen by 1988 at the latest.

Wonderful though these developments may seem for the traveller, (Eurocheque's German president, Dr Ulrich Weiss, calls it "a bit of the European dream"), they are creating something of a dilemma for banks.

The expense of setting up these systems is enormous and many large banks are holding back from committing themselves until the picture becomes clearer. In the UK, only Midland, for instance, is a full participant in Eurocheque. The other three big banks (Barclays, NatWest and Lloyds) have yet to participate. Barclays will probably go with Visa because its Barclaycard is already one of the biggest cards in the Visa group. NatWest seems to be veering towards Eurocheque.

In France, major banks have links with Eurocheque, but the market is dominated by Visa-associated Carte Bleue and it is still not clear which way they will go.

Ideally, the banks should pool their resources into one vast system. Several prominent bankers and credit card officials, including Visa and Master Card have already called for more co-operation, partly to save money and partly to form a united front against mounting credit card competition from retailers and other financial institutions.

Union casts doubt on validity of BT redundancy accord

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

BRITISH TELECOMS' "no redundancies" agreement would not protect the jobs of its workforce if Mercury Communications succeeded in creaming off the most profitable parts of BT's business, the Court of Appeal was told yesterday.

That, at least, was the strong and widespread belief among members of the Post Office Engineering Union (POEU) employed by BT, the union's general secretary, Mr Bryan Stanley, said.

In a statement read to the court, Mr Stanley said that the job security agreement negotiated between BT and the union, which is in dispute over privatisation had not been designed to deal with the novel and unexpected situation created by the emergence of Mercury, the first private operator on the telecommunications scene.

Mercury is appealing against a High Court judge's refusal last week to grant temporary injunctions stopping the union's industrial action against the company. The

POEU has instructed its members not to connect Mercury to the public network.

The judge accepted the union's argument that it was immune from legal sanctions because its action stemmed from a genuine dispute with BT over its fear that privatisation would lead to job losses.

When the appeal began on Monday, Mr Robert Alexander, QC, for Mercury, questioned the genuineness of the union's fear, and suggested that its members at BT were protected by the job security agreement which entitled BT to make workers redundant only in very tightly drawn circumstances.

Mr Alexander said that Mercury had learned of the existence of the agreement only by chance last week, and he made some capital out of the fact that it had not been mentioned in the union's evidence.

Yesterday, Mr Stanley stated that the agreement allowed BT to abandon its undertaking on redundancies if a major manpower problem arose that was beyond BT's control.

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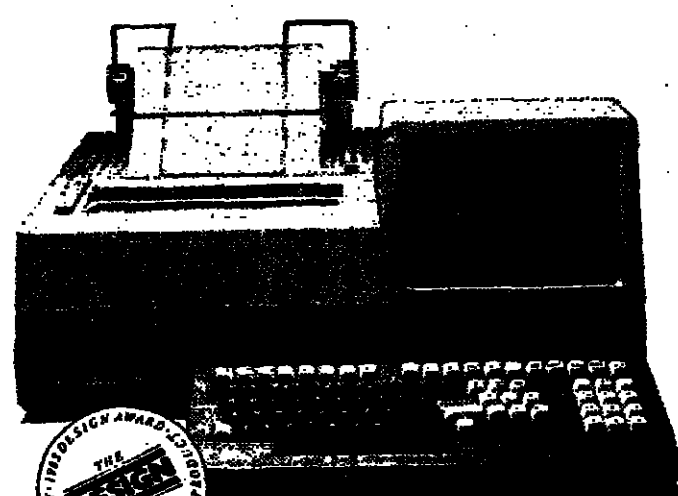
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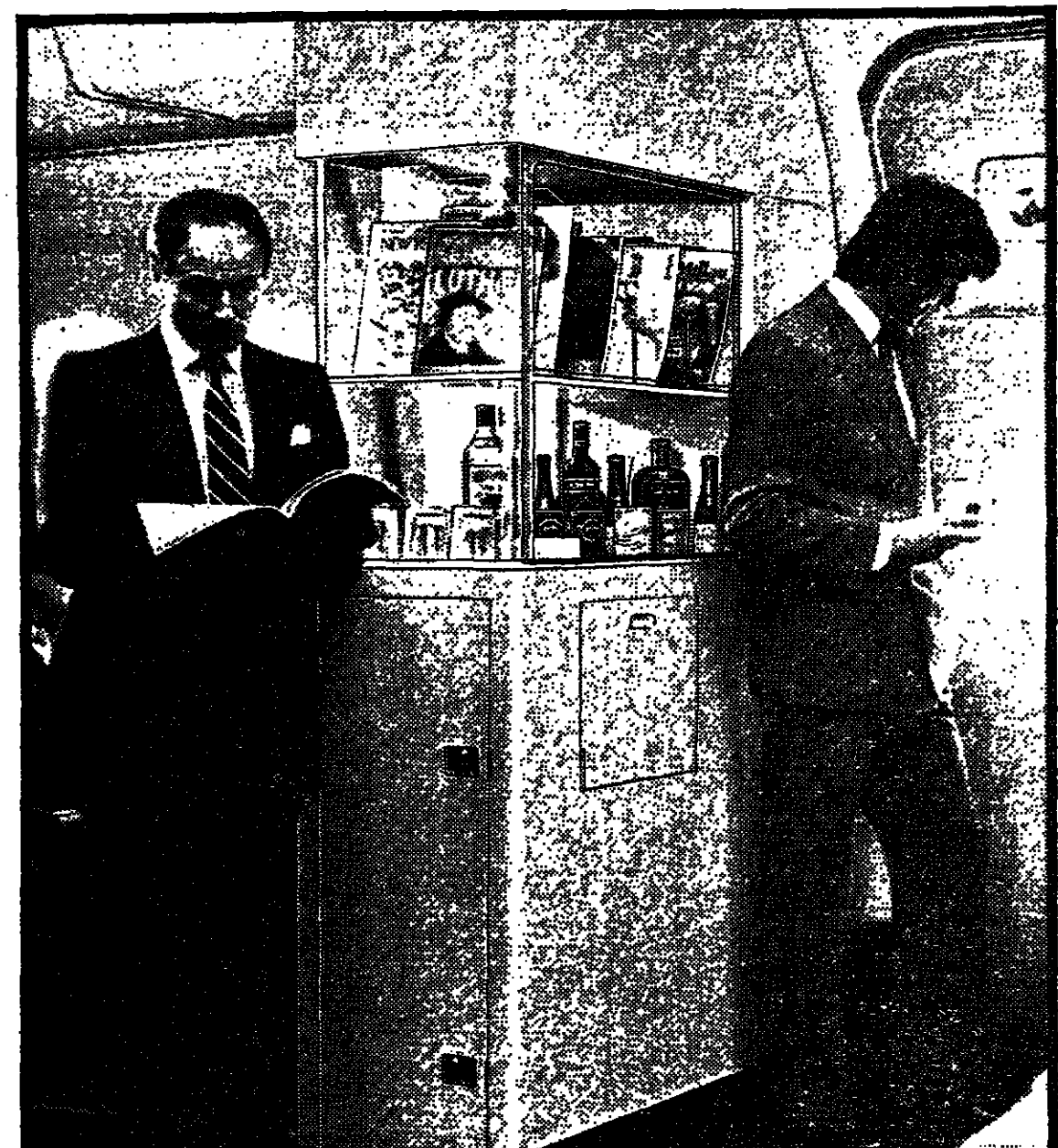
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THE ARTS

Television/Chris Dunkley

No, but I saw the movie

There is just one type of programme material which practically everybody in the television industry—whether broadcaster, investor or hardware whiz kid—seems to agree will definitely attract audiences to the new technologies: movies.

In the past year or so confidence in the future of cable and satellite television has vacillated wildly. Beliefs about the prospects for, say, an all-news channel in Britain vary depending upon whom you talk to. Some point to Ted Turner's American news cables and declare that similar ventures will succeed in Britain. Others say that the Americans are the only ones with the money nowadays to sustain proper global news operations and that American news will not interest British viewers.

Some believe more and more sports bodies will do television deals for exclusive and therefore high-price cable coverage. Others believe that the economics will work only in a few specialised cases: world heavyweight title fights, top snooker matches, and so on.

The one thing about which there is unanimity is cinema films. Everyone agrees they will work, and it is not hard to see why. The biggest success story of American cable is Home Box Office, whose main offering is movies.

It is not yet widely appreciated in Britain that cable channels involve an entirely new attitude towards television. Instead of a "broadcaster" developing a carefully mixed output of comedy followed by news followed by drama and so on in a schedule designed to catch and hold the viewer, cable operators, especially on movie channels, can afford to offer perhaps only five items a week, repeated over and over again so that the viewer can choose his own time to watch.

The prospects for cable movie channels of that sort in Britain seem as bright as anywhere in view of the huge popularity of movies on our existing broadcast networks. This week's BARB figures for instance show the No 1 spot in BBC1's Top Ten filled by a repeat showing of the 1968 Clint Eastwood movie *Cogan's Bluff* with 10.5m viewers.

Nor was that the biggest movie audience of the week. ITV attracted 13.75m with *Jaws 2*. Nor was it the oldest movie: *Battle of the River Plate*, the week's most popular programme on Channel 4, first appeared in 1956. Come to that, the John Wayne western *Tall in the Saddle* which was fifth in the BBC2 Top Ten, was



Charles Coburn, Barbara Stanwyck and Henry Fonda in "The Lady Eve"

first released during World War 2. Nor, incidentally, was it the rottenest film to get into a Top Ten: that claim goes to *Torpedo* and the *Valley of Gold* which came eighth on the BBC2 list with 2.5m viewers.

The fact is that, other things being equal (time of day, the opposition and so on) an old movie will almost invariably prove more popular than one of television's own programmes. Yet the cost of movies is only a fraction of the cost of original television. At the BBC the cost of a first showing of a bought-in film averages about £15,000 an hour whereas their own drama costs £200,000 an hour.

In fact films are cheaper than almost everything—making comedy at the BBC now costs £140,000 an hour, variety £75,000, educational programmes £65,000, features and documentaries £80,000, children's programmes £45,000, and even current affairs cost twice as much as films—£30,000 an hour. Only repeats at £2,500 an hour are substantially cheaper than films. Furthermore, according to figures recently quoted by BBC Director General Alasdair Milne, ITV's average costs are 34 per cent higher than the BBC's.

Thus it is not difficult to understand the temptation for broadcasters to include films in their schedules as often as possible. Nor is it difficult on the other hand to appreciate the furor of our resident film industry when it sees television raiding the cinema store cupboard and using their old stock to "steal" the audience. Presumably if the film industry could make a better profit by showing the films in cinema they would not sell to tele-

vision, but that does not cheer so many viewers for the chance to watch again those classic movies which do not lose all that much from being on the box.

There are certain films which I believe should never be watched on the box. Some directors worked with such a profound consciousness of the circumstances in which their films would be seen—in a large, dark, crowded public area with the picture larger than life and dominating the proceedings—that it is absurd to commit their films to a little screen in the corner of a brightly lit sitting room where chattering family groups dominate the picture.

From D. W. Griffith's stupendous movie *Intolerance* to *Lucas's Star Wars* in which the Dolby sound system of a big cinema plays an essential part, some of the greatest films ever made should not be watched on television except by those who definitely stand no chance of seeing them in their intended surroundings.

Millions of people will get their first opportunity to see the greatest achievement of the silent cinema, Abel Gance's *Napoleon*, when Channel 4 shows it this coming Saturday and Sunday (thanks to Kevin Brownlow and Thames TV). But nobody should imagine that watching it on a 24-inch screen at home can reproduce the aesthetic or emotional experience of sitting in the Empire Theatre, Leicester Square, with a full orchestra accompanying the film. The momentous impact of the final triptych sequence projected onto three adjoining cinema screens cannot be even approximated by television. How would Beethoven's Ninth sound on a piano accordion?

That said, I am grateful like so many viewers for the chance to watch again those classic movies which do not lose all that much from being on the box. *The Philadelphia Story* shown on BBC1 last Sunday afternoon, for example, and later on that evening on Channel 4 the 1941 Preston Sturges comedy *The Lady Eve* starring Barbara Stanwyck as a stunning cardsharp in real silk stockings with Henry Fonda as the sucker.

Already this year BBC2 has provided a marvellous season of Marilyn Monroe movies from *Gentlemen Prefer Blondes* to *The Misfits*, and now Channel 4 is running a fascinating season called "What The Censor Saw". The huge advantage here is that instead of being hung into the schedule piecemeal as ratings bait, the films have been selected with some care and are being introduced on screen—albeit too briefly by ITV's chief film buyer Leslie Halliwell—by the way of the invaluable *Film Guide* which must surely be due for an update.

Gratifyingly seasons of this sort seem to be on the increase even though we do still get the scheduled piecemeal as ratings bait. Better still, television has taken increasingly to projecting its films with some common sense: Antonioni's *La Notte* on ITV last week, although it was an appalling print and the lip synchronisation was allowed to slide ("Who cares when it's in Italian?") was nevertheless projected with black gaps at top and bottom of the television picture to accommodate the film's wide-screen cinema format. This is vastly preferable to the "pan and scan" habit

which for long was used to fill the television screen.

Moreover many of the prints used by television actually seem to be better than those habitually seen in art house cinemas. Sunday's copy of *The Wild One* on Channel 4—with Marlon Brando as the Hell's Angel gunning his T-bird bolt upright through all those back-projected curves on the highway—was the cleanest print of the film I have ever seen.

In the end the important question is this: given that our conventional broadcast network works and cable television and satellite services all want lots of movies, and given that the decline of the cinema seems irreversible, can television itself somehow create the necessary material? At one time I believed it could, and that something like Channel 4's co-production scheme with films such as *The Ploughman's Lunch* (tomorrow night) and *Angel* seemed very promising.

But now that we are actually seeing them come to the screen the results are discouraging: in the cinema *The Ploughman's Lunch* looks like stretched television, and not one of the Film On Four productions I have seen so far has displayed the magic of true cinema.

Thanks to its style and ethos, thanks to the very palaces to which the fans flocked to see the films, cinema created stars: Garbo, Peck, Wayne, Monroe. They were larger than life and offered to take us out of our lives and into realms of fantasy. The "new wave" directors now working on the borders between cinema and TV—Roland Joffé, Richard Eyre, Mike Leigh and Stephen Frears—are clearly not the least interested in fantasy. On the contrary their chief concern seems to be rubbing our noses in their version of humanity. They owe far more to the traditions of television than to the cinema.

The flickering box in the corner of our rooms at home has an entirely different style and ethos and the most that television has ever managed to create is domestic personalities: Michael Parkinson, Angela Ripston, Terry Wogan, Eamonn Andrews. As with a cheeky milkman or a batty neighbour it is their familiarity which is valued. They are only too "real" and lifelike. When viewers chance to meet them in the street they say "Hello" thinking they know them.

I am afraid television will never be a proper substitute for cinema as there will be a monumental fight between the new technology and the old for those scarce stocks of the real McCoy.



Gerard Murphy

is far more interesting than the RSC's recent studio, costly miniaturism. Nothing is shirked, and the constraints of a low budget prove no obstacle to imaginative ideas. Brian Protheroe plays all the kings and the converted Lysimachus; Felicity Dean is a blonde and steel-sprung Princess; Darlene Johnson the strikingly discordant, campy music is executed on viol, squeeze-box, bells and Chinese clock, conducted discreetly from the stage by the composer, Martin Duncan, whose chorus figure of the poet John Gower is physically modelled on Gower's tomb in Southwark Cathedral.

The entire company personnel of 13 gives the piece both air and flight and produce a genuine spectacle which, for my money, is far more interesting than the RSC's recent studio, costly miniaturism. Nothing is shirked, and the constraints of a low budget prove no obstacle to imaginative ideas. Brian Protheroe plays all the kings and the converted Lysimachus; Felicity Dean is a blonde and steel-sprung Princess; Darlene Johnson the strikingly discordant, campy music is executed on viol, squeeze-box, bells and Chinese clock, conducted discreetly from the stage by the composer, Martin Duncan, whose chorus figure of the poet John Gower is physically modelled on Gower's tomb in Southwark Cathedral.

Pericles/Stratford E15

Michael Coveney

As staged—that is, directed and designed—by Uitz, this *Pericles at Stratford* the Royal is a most exciting evening. Shakespeare's exotic travelogue receives its appropriate come-uppance at the hand of a band of artists, the core of whom have formed, in the past, the Fireflies of the Boulevard and the basis for several pantomimes.

In the British theatre of late, only Philip Prowse at the Glasgow Citizens has graduated from designer to director/designer, and with notable success. Uitz is a worthy disciple and it is worth noting that his *Pericles*, superbly played by Gerard Murphy, has been an outstanding Glasgow Macbeth as well as an under-rated RSC Prince Hal.

For Uitz and his colleagues, *Pericles* is obviously the season's first pantomime. The dumb prince is presented as a la Japonais in front of a hanging white tapestry. After the incest-riddled prologue in Antioch, Uitz's colour brochure takes us to a green Pentapolis (fishermen hauling out an endless emerald net); a harnessed golden Taurus; a purple Mytilene with a huge pig stuck in the brothel; and the azure twilight zone of Diana's temple on Ephesus.

The theatre's back walls are painted green and cunningly lit by Mick Hughes. The scene, framed by a flock of flying fruit and gulls, accommodates the stunning magic cabinet of the wizard Cerimon in one of several cargo boxes.

Gerard Murphy speaks the part magnificently, graduating from armourer to dumb prince to nautical hermit with a deepening of the voice and a true regard for the hero's poetic stature.

The pirates who carry off his separated daughter, Marina, to the brothel, are the female trio in the pit. Their strikingly discordant, campy music is executed on viol, squeeze-box, bells and Chinese clock, conducted discreetly from the stage by the composer, Martin Duncan, whose chorus figure of the poet John Gower is physically modelled on Gower's tomb in Southwark Cathedral.

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Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday, A selective guide to all the Arts appears each Friday.

Oct 28 - Nov 3

Theatre

LONDON

The Tempest (Barbican) Derek Jacobi takes a short respite from his recent triumph as Cymbeline to add last summer's Stratford Prospero to the RSC London programme. A younger magus than is usual, he gives a performance that is technically accomplished and imaginatively adventurous. (828 8799)

The Real Thing (Strand) Susan Preshall and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2860/4143)

Daisy Pulls It Off (Globe) Enjoyable romp derived from the world of Anglo-Brazilian comic strips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood (457 1582)

Noises Off (Savoy) The funniest play for years in London, now with an improved third act and a top-class replacement cast. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8824)

Glenavoy Glen Ross (Cottesloe) One of America's best playwrights, David Mamet, has a sparkling script premiered at the National Theatre in this superb Bill Bryden production of life among real estate salesmen. The language rocks and rolls

through idiomatic salespeak with many a glancing reference to post-1960s break-in parodies (828 8228)

Myklos (Barbican) New play for the RSC by Nicholas Nickleby adaptor David Edgar about the defection from Left to Right as a process of both politicisation and ageing. Panoramic, ambitious text covers the ground from the late of British radicalism in the late 1970s. (828 8795)

The Cherry Orchard (Haymarket) Scenically dull but very well acted production by Lindsay Anderson of Chekhov's masterpiece. Joan Plowright is an edgy, skittish Ranevskaya and Leslie Phillips, an accomplished light comedian, a revelation as her pathetic brother. Wonderful support from Frank Finlay, Bill Fraser, Frank Grimes and Joanna David. (836 8822)

Ray Fever (Queen's) Penelope Keith returns for her reign as the iron maiden of British showbusiness. Well-dressed and marcel-waved, she plays Judith Bliss in Coward's great comedy, presiding over charades and confusion in a Thames-side country house. (774 1168)

Little Shop of Horrors (Comedy): Tawdry, camp musical based on a 1960 Roger Corman B-movie about a man-eating plant which revives the fortunes of a Sid Row flower shop. The 1960s pastiche is a bit wan, but the lyrics are sharp. The plant grows from exorcist-like vulva to piscatorial, blue-singing peach. Ellen Greene repeats her off-Broadway performance which is something like *Fenella Fielding* only blonde and way over the top (930 2578)

A Moon for the Misbegotten (Mermaid) Frances de la Tour and Ian Rannan are quite superb, especially in the last confessional hour of O'Neill's powerfully brutal last play. Look to catch one of the year's London highlights (836 5568)

NEW YORK

La Cage aux Folles (Palace) Perhaps this season's outstanding musical comes, like *Evita* and *Cats* before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale, a la Gaite Parisienne, but the intimate moments borrowed direct from the film. (737 2828)

Good Street (Majestic) An immediate celebration of the heyday of Broadway in the '30s incorporates gems from the original film like *Shuffle Off to Buffalo* with the appropriately brash and leggy hoofing by a large chorus line. (974 6020)

Three Sisters (Theatre) Haynes: Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (444 9454)

Drumgirls (Imperial) Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (836 8200)

Cats (Winter Garden) Director Trevor Nunn, fresh from the Broadway suc-

cess of *Nicholas Nickleby*, has his imaginative and frisky cats slink, side and dance their way across a transfigured stage in this lavish recreation of the London hit. (238 6282)

On Your Toes (Virginia) Gaiety Pantomime leads an exuberant cast in the remake of Rogers and Hart's 1936 send-up of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370)

CHICAGO E. R. (Forum) Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (498 3000)

A Raisin in the Sun (Goodman) Season opener celebrates the 25th anniversary of Lorraine Hansberry's play that explores racial conflict when the black Younger family move to a white neighbourhood. Ends Oct 30. (443 3800)

WASHINGTON The Importance of Being Earnest (Arena Stage) with Richard Bauer as Lady Bracknell, Tom Hewitt as Jack Worthing and Marilyn Caskey as Gwendolyn, the Arena Stage gets an exuberant start to a season that will include two contemporary British plays, Simon Gray's *Quartermaine's Terms* and Caryl Churchill's *Cloud 9*, as well as Christopher Durang's *Behind the Gazebo* and Chekhov's *Three Sisters*. Ends Nov 13. 6th & Maine SW (488 3300)

Boris Godunov/Covent Garden

Max Loppert

The new Boris Godunov is a triumph for its conductor. Even more than three years ago at La Scala, where Claudio Abbado had his first encounters with Musorgsky, the musical direction of Monday's performance represented an act of total imaginative comprehension, forged in a feat of sustained conducting eloquence, that had one searching for contemporary parallels.

For the first time since the 1961 revival of the old production, the Royal Opera prefers Musorgsky himself to Rimsky-Korsakov's revising of him. It was a long evening—the later and longer of Musorgsky's two versions enlarged by the now customary addition of the St Basil scene from the first, with familiar cuts opened (Fyodor gets his Parrot Song) and only a single mid-performance interval—but it was at no point a boring one: retrograde longings for Rimsky glorifications were not even a speck on the horizon. For under Abbado's hands Musorgsky's orchestration sounds at every moment its "lack of 19th-century diaphanous" (David Lloyd-Jones phrase) seems here not a mixture of stark inspiration and passing calculation: the richness of instrumental and vocal combination is never in question.

The conductor's appreciation of what Stasov deemed Musorgsky's creation of an "entire world, embodied in music with extraordinary genius, power and originality" is expressed in a precisely differentiated tone, texture, and attack for each scene. In Covent Garden, though the grandeur of the public assembly can be less completely realised than in La Scala, the intimacy of the theatre ensures a glowingly defined presence for such simplicities as the bare choral underbelly for Fimena's narration. With the proviso that London's strings are less vibrant than Milan's, and London's chorists less numerous, it is a happy duty to praise such keyed-up vitality of execution: if only Boris—and the Royal Opera—were always like this!

The production would have to be much less successful than it is to darken the impression. Andrey Tarkovsky, the Russian film director (of, among others, the remarkable *Andrey Rublev* and *Solaris*) undertakes here his first operatic assignment. The result is a stimulating, un-hackneyed piece of work, full of puzzling inconsistencies but also

of strong imaginative perceptions. Nicolas Duvigoubsky's single set—a huge courtyard facade with a back central arch, half-finished rubble strewn around its central ramp—limits the opera to a single intentionally un-opulent image; and when required to do duty for scenes obviously unsuited to it, the decor constricts the immensity and the variety of Musorgsky's "entire world." The lighting is "cinematic" in a self-conscious way: mysterious symbolic doings in the background (an enactment of the Tsar's murder, a giant pendulum slowly swinging) add a note of sketchiness. There is a basic shortage of necessary furniture: the conventional costumes look anachronistic.

Yet, against this, one warms to the accuracy and honesty of characterisation in scenes private and public—the setting may often ring false, but the playing, for the most part, rings wonderfully true. Between them Tarkovsky and Robert Lloyd have achieved the noble feat of temporarily dimming Royal Opera memories of Boris Christoff in the title role. For Lloyd's Tsar, credible in simple human terms as political figure, father, and tormented sinner, pursues a quite different course forward in a way that brushes aside all visual or vocal impediments. The ENO/Royal Opera Guide (No. 11), which contains David Lloyd-Jones' translation, is well worth a prior perusal.



Robert Lloyd

Lucky Bag/King's Head

Martin Hoyle

My dreams are no respecters of person, privilege or popularity. A recurrent nightmare that wakes me screaming is that Woody Allen has cornered me at a party and is subjecting me to a comic monologue. Sometimes it's a northern comedian. When the accent is Liverpoolian subsequent sedatives are called for.

All of which shows how subjective is any assessment of humour; and how meaningless it is, therefore, to make Victoria Wood a glorious exception to these strictures—unpretentious, articulate, sharp-eyed but un-malicious, and often very, very funny.

Her one-man (sic) show is neither feminist nor overtly political, which merely adds weight to her swipe at male sexual smugness (the acerbic song, "Had it up to here") and the evening's cumulative socio-cultural compendium of references to how we live now.

She uses brand names like any social satirist, but better than most. Marks and Spencer, *Emerald Farm*, foundation garments and ear-wax rate more than one mention each. She likes Beryl Cooke—whose cheerfully robust naughtiness

she shares—and Steel Eye Span—a dead give-away when meeting blank non-reaction from an unwisely chosen younger man. She is the Belgium of a slightly chipped enamel meritocracy in an increasingly plastic age.

Her eye for a trend is wicked. There is a mad plausibility to time-share apartments in disuse, calluses, books, colic, *Cooking with Her* or modest homes in converted factory chimneys (small rooms, nice high ceilings).

If the non-topical side to her talent smacks of old-fashioned revue the fashion is at fault. She triumphantly resurrects such bawdy figures as the northern club entertainer, "Paula Duvalle, comedienne and vocaliser," wowing a hen party before accompanying herself in a philosophical ditty on the ukelele; or the auditioning actress whose career resumé includes children's theatre, Winifred Wilby-Wobly and a less creatively satisfying raspberry—followed by a spell with a troupe called Lorryland. Reader, this is all too likely.

Her life is measured not so much in coffee-spoons as in blin-

ners and bras. While a bleary-eyed blink at marriage ("Don't do it") is neat but unsurprising, her "Love Song," as an old man automatically prepares his wife's breakfast before remembering she's dead, is concise, unsentimental, and touching in its carefully selected physical details. In search of a coffee, "there was a queue at the Karamah I went to the blood donor" sums up the tenuous logic that surreally links the unlikely, "I'm awfully glad," she sings to the deity, "you made me and not some other chap." So am I, Miss Wood, so am I.

Cut-price

concert offer

Vouchers for reduced-price tickets to South Bank concert halls are being given away at factory and shopping centre concerts as part of the Greater London Council's *Music for All* scheme.

The vouchers allow £1.50 off the ticket price of selected concerts at the Royal Festival Hall and Queen Elizabeth Hall. The *Music for All* scheme was launched just over a year ago.

James Ensor/Antwerp

Rob van Mesdag

It is not difficult to imagine how the art of the Belgian impressionist James Ensor (Antwerp, 1859-1949), met with mixed feelings when first presented to the continental art world in the 1880s.

Ensor was to evolve an art form all his own, never seen before, brought about by a fervent desire to experiment, by sadness at not being readily understood, and by a fear of competition from abroad. Yet, in contrast to many before him, his genius was recognised well within his lifetime. It was seen in all its fullness and complexity at a recent exhibition of his work in the Royal Museum of Art in Antwerp.

When, in the early 1880s, Ensor exhibited his early, so-called dark pictures, such as "Afternoon at Ostend," they were well received at salons in Belgium and Paris. But as he began to experiment by bringing more light into his pictures, his popularity waned.

The Brussels salon in 1884 refused all works submitted, and his picture "Woman eating oysters" was turned down first by Antwerp in 1883, then even by an avant-garde organisation called L'Esor, of which he was a member. Irritated by those disappointments, he, and several friends, founded a new "democratic" group—it had no jury—called "The Twenty" in order to

stimulate creativity and organise alternative exhibitions.

This group became the foremost avant-garde movement in Europe. Finch, Vogels, de Hegoyens, Van Strydonck, Schloback and Toorop were members, all much inspired by Ensor whom they considered their leader. At first, membership of "The Twenty" gave Ensor the confidence he needed to continue his search for light and colour while taking advantage of his salons in order to show the result.

But by 1885 his standing within the group had begun to change. Increasingly, his work was criticised for lack of technical finesse, and critics came to ignore his works, concentrating instead—sometimes lavishly—on pictures by outsiders such as Whistler, Monet, Renoir, Seurat, Van Gogh.

Ensor reacted negatively by trying to prevent such foreigners from showing at "The Twenty," and from becoming members. But Ensor also protested positively by creating pictures illustrating his contempt for the critics and disappointment with the group he had helped form. His painting "The Halo of Christ," submitted in 1887, was the first of this kind. Dark interiors or beach scenes in Ostend had made way for a satirical look at the world around him. In "The Entry of Christ into Brus-

sels," one of the artist's best-known pieces, Jesus's appearance takes place during a typical Belgian carnival. Ensor's way of indicating that art in his country should rely on personal expression rather than depend on influences from abroad. Although this picture could have caused furore within "The Twenty," Ensor never submitted it. Instead, he continued to send in scores of other pictures in the early 1880s, all of them illustrating his protest at not being understood.

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Sale room

Anthony Thornecroft

Sotheby's sold in London yesterday the collection of arms and armour of the late John Hayward, the art historian who worked for the sale room for 18 years. The 41 lots brought in £170,148 (\$254,116) with 1.8 per cent unsold.

The top price was the £37,000 paid by Finner for a German merion (helmet) of around 1600 (more than double the forecast). Private collectors paid £14,300 for a Nuremberg foot soldier's armour of the mid 16th century, and the same sum for a late 15th-century Saxon garment of rapier and left-handed. A fine

Augsburg hunting sword of the early 17th century made £9,900.

In the general sale of arms and armour that followed, a composite Maximilian armour of around 1500, which forms an important stylistic link between late Gothic and early Renaissance armour, fetched £22,000. Two Spanish flintlock guns of about 1800 made £8,800 and R. A. Lee paid £7,920 for a 9th-century Viking sword.

Mallams of Oxford disposed of six water colours by David Roberts, the orientalist, for £98,000, well ahead of forecast.

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Peace-keeping in Lebanon

SADLY for the people of Lebanon, the issues which are being discussed at the national reconciliation talks in Geneva cannot be divorced from the wider questions of war and peace in the Middle East. Neither, it seems, can they be entirely separated from the ideological confrontation between the Soviet Union and the United States.

After eight years of intermittent civil war and foreign invasion, punctuated by the most violent acts of reprisal, it would have been difficult enough to assuage mutual suspicions to the point that genuine compromises became possible. But with the different factions able to manipulate, and be manipulated by, larger regional and international powers, the task becomes doubly difficult.

President Gemayel of Lebanon accepts that the 1943 constitutional arrangements which ensured Christian Maronite supremacy have to be modified in recognition of the Moslem majority which now exists. He is being pressed by the U.S. to make concessions. But less conciliatory Maronites than Mr Gemayel are equally aware that since last week's horrific bomb explosion in Beirut which claimed the lives of nearly 250 American servicemen, President Reagan has chosen to place Lebanon, like Grenada, into the context of the East-West struggle. The broad Lebanese left and the Syrians, with their Soviet support, are the focus of U.S. suspicion.

The main spokesman for the Lebanese left, Mr Walid Jumblatt, helped some U.S. attitudes with his initial demand for the abrogation of the 1943 agreement, once described by Mr George Shultz, the US Secretary of State, as a milestone in Middle East peace-making.

A defence of privatisation

THE BRITISH government's radical policy of privatisation, it seems, as contentious inside Whitehall as out. But if the present debate over the future of the country's monopoly utilities demonstrates anything, it is surely that the traditional battle between the Treasury and the nationalised industries (with sponsoring ministries acting as their proxies) goes on as before, even if the ground itself has shifted.

This inevitably raises questions of policy. Certainly the sale of public-sector assets helps the government achieve its monetary objectives by the backdoor. There are also those who see the government who see the programme as contributing to the erosion of union power. But on the more direct point of the government's relationship with the majority of state industries that cannot be sold off in the life of this administration, there is a risk that an ideological preoccupation with ownership will prove dangerously distracting.

In a speech to a City audience yesterday the Financial Secretary to the Treasury, Mr John Moore, demonstrated a welcome readiness to address that question. His apology for privatisation, which laid heavy stress on the need to attack state monopoly, was more cogent than much that has gone before.

Erosion
 He argues that governments responded to the failure of state industry to perform by introducing an increasingly stringent framework of control. This erosion of the Morrisonian principle of an arms-length relationship between government and state corporations, culminating in the White Paper of 1978 (and presumably also the attempts at reform precipitated by the Central Policy Review Staff under the first Thatcher administration) amounted to the imposition of surrogate market forces on the industries. But this, so the argument runs, has not been enough. Why simulate the market when a real market exists outside and when there are obvious benefits in freeing state industry from the constraints Whitehall imposes

attraction, for the Syrians, of drawing the U.S. into increased military support for the hard-pressed Lebanese army, thereby shifting still further the character of the marines from peace-keepers to civil war participants.

Mr Assad may well estimate that the further the U.S. can be sucked into the Lebanese quicksands, the greater will be the demands in Washington for a total withdrawal. Or he could opt for a longer-term strategy, allowing the Shia Moslem militias and other anti-American factions to weaken U.S. resolve through sniper fire and variations of last week's suicide bombing.

The prospects for the Geneva negotiations are not made any clearer by the ambiguity of American objectives in Lebanon and the ambivalence of President Reagan. The Administration has talked of seeking retribution for the Beirut bombing but such a move would undoubtedly make matters much worse, would certainly meet categorical condemnation from the French Government, and might well lead to a sharp escalation in violence.

Peace-keeping, in the most limited meaning of the term, is the only legitimate and constructive function of the multinational force. The Americans cannot impose political stability on Lebanon by military force, nor should they try. The essential ingredients in any progress towards stability must be an accommodation between the warring domestic factions, and an American recognition that Syria has claims to be involved in the stabilisation process which cannot in practice be thwarted. If Mr Reagan is having difficulty in replacing Mr Robert McFarlane as his Middle East negotiator — several potential candidates have turned down the job — the reason is that the Administration does not have a plausible policy either in Lebanon or in the region as a whole.

As a first step towards such a policy, the U.S. should make it absolutely clear that it is not planning to remain indefinitely in Lebanon solely for the purpose of propping up the Gemayel regime in its present form, and that its broader view on the future of the region remains unchanged. The principles of the now-defunct Reagan plan of last year, whose essential basis was that of negotiation between the parties on the ground.

on good management? This emphasis on market forces is all to the good. So, too, is Mr Moore's assertion that it is important to distinguish between natural and artificial monopolies. While the transmission and distribution of water, gas and electricity may be sensibly handled through integrated, monopolistic networks, there is no reason to regard activities such as electricity generation, the production and marketing of gas, coal production and sale, and telecommunications other than local services as natural monopolies.

The Treasury's present preoccupation with accountability and the need to make cross-subsidisation within corporations more transparent is also healthy, as is the desire for subsidies to be direct, contractual and specifically targeted. The result will be to add clarity to the industry's objectives.

Responsibility
 Many of these justifications for privatisation tend, however, to treat competition and privatisation as synonymous. Yet several crucial problems cannot be wished away by transferring ownership. Despite the privatisation of British Aerospace it is the Government that will have to decide whether to finance the new Airbus. And will a privatised British Telecom really find it easier to finance its investment programme?

Nor can the Government escape all responsibility for the level of gas prices. And if, for the sake of argument, a privatised British Airways ran into trouble it is hard to believe that even Mrs Thatcher's government would stand calmly by, leaving the receiver to get on with the job.

There are grounds for thinking that privatisation does bring additional discipline to state industries, though a less important discipline than that of competition. But the heavily institutionalised British capital market is far from perfect. The time is ripe for a complementary tilt at financial concentration. Inefficiency is not confined to the public sector.



Prime Minister Botha

South Africa's referendum

Old enemies and new bedfellows on a key day

By J. D. F. Jones in Johannesburg



Chief Buthelezi

ON Monday evening South Africa's long debate about a new constitution reached its climax. While the Prime Minister, Mr P. W. Botha, urged a packed audience here to vote Yes in favour of "Christian civilised values" and "orderly government", a few miles across town the Zulu leader, Chief Buthelezi, was appealing for a No vote against "this political death-sentence on 22m black Africans."

On the same platform, the veteran opposition politician Mrs Helen Suzman insisted that Mr Botha's real intention was "to con the English-speaking voter into believing he is on the reform track while he is in fact entrenching apartheid." And, the same evening up in Pretoria, Mrs Suzman's unlikely ally, the ultra-rightwing Mr J. A. Marais, was warning that "once you open the door to the non-white, it cannot be closed."

Two full months of argument, even about something as important as a new constitution, sounds almost too much of a good thing, and most white South Africans will be relieved when the shouting is over and they have cast their votes for good or ill today.

But the intensity of the debate has been impressive. No one should be tempted to believe that South Africa is going into its "second Republic" without proper thought by the 27m whites who will be making the decision, and without clear warning of the dangerous consequences of what they are doing from the black majority, who are not being consulted.

The general assumption is that Mr Botha is going to win his Yes majority; the Yes campaign may have faltered a little in recent weeks but he should get a majority of around 60 per cent. The importance of today's voting is that it is going to cut across South Africa's traditional political and cultural divisions.

The referendum debate (seen as the culmination of the Government's long hesitation about reform) has brought the irrevocable splitting of the Afrikaner Volk; the emergence of English-speaking South Africans as vital supporters for an Afrikaner middle-of-the-

road Apartheid government; the confusion and division of the (mixed race) Coloureds; and the alienation, probably beyond rescue, of almost all the country's black moderates.

It would be hard to underestimate this tally. The Government's posters have been describing November 2 as "the most critical day in South African history." That may be truer than they think.

The new constitution (see panel) would bring Indians and Coloureds—but not blacks—into the parliamentary system in a limited role and give considerable powers to a new executive president.

The new constitution is supported by the ruling National Party and by the fading New Republic Party (NRP). It is opposed by the official opposition Progressive Federal Party (PFP) and by the Conservative Party, which broke away from the Government last year. But things are more complicated than that.

The National Party, of course, officially supports its own proposals, which date from 1977, but it cannot be sure of delivering all of its own voters: a significant minority will, in the secrecy of the poll, say No. To ensure a Yes majority they have been addressing two diametrically opposed constituencies — they have been telling the PFP voters that they stand for reform while at the same time they have been trying to reassure the conservatives that nothing is really going to change.

However, the Nationalists have been caught in the same trap. To ensure a Yes majority they have been addressing two diametrically opposed constituencies — they have been telling the PFP voters that they stand for reform while at the same time they have been trying to reassure the conservatives that nothing is really going to change.

This dilemma was illustrated

in the most controversial incident of the campaign when a Minister assured a white audience that the Indians and Coloureds who had been infiltrating a Johannesburg suburb called Mayfair would be kicked out. "These people didn't live in the sky," said Mr P. W. Botha. "They can go back where they came from."

The Indians and Coloureds were outraged, and not surprisingly, forced to wonder whether they were really going to be better off in the Second Republic.

This incident apart, the Government's endorsement of a new constitution has to be seen as a commitment to a cautious degree of reform. In so doing Mr Botha has "come out," defied conventional wisdom and "split Afrikanerdom," and the consequences will continue to be seen for a long time.

Why then has Mr Botha's Cabinet and party taken this irrevocable step? The reasons are complex. P. W. Botha is a Cape man which means that he has a stronger sense of the Afrikaners' responsibility for the Coloureds' situation than his counterparts in the Transvaal. Nevertheless, the young P. W. Botha was involved in the devious processes whereby the new National Party Government after 1948 took away the existing Cape Coloureds' representation.

Then there is the simple fact that South Africa's 4.6m whites

need allies as they confront 22m blacks and face the prospect of a black population of 40m in a generation's time. Who better, and more available, than the 2.5m Coloureds?

The changes must also seem to make sense as the Government pursues the logic of its ideology: the blacks have been firmly told that their political future can only lie in the network of ethnic homeland states, where "independence" is on offer (although the right of some to live in white urban areas has been acknowledged). But there is no realistic way in which the Coloureds and the Indians could be fitted into such a system.

They can instead be offered a role in the "white" system, though white control will be ensured for ever by the entrenched division of powers in a ratio of four white: two Coloured: one Indian.

Finally, Mr Botha and his friends are clearly attracted by the argument that a country facing South Africa's problems has a need for an unusually strong executive: hence the powers the new constitution grants to the State President, who will presumably be Mr Botha himself. Both the opposition parties are scared of allowing what they perhaps with exaggeration call "dictatorial" powers to the State President.

The critics of the new constitution have apparently had no

trouble in tearing it to shreds for a host of well-argued reasons — yet many of them will nevertheless vote Yes today. Many Yes voters are curiously happy to agree that the constitution is inadequate, racist, totalitarian, "an abortion," badly drafted, you name it — but (and here is the clinching slogan of the referendum debate) it is, they declare, "a step in the right direction." That slogan is going to win today's poll for Mr Botha. But is it true?

The Coloureds, for their part, are divided. The Labour Party, which used to be the leading (and radical) coloured party, decided to give the constitution a go, despite claiming it disliked it, and has been in disarray ever since. The Indian reaction is less significant and more cautious. The Government has not yet decided whether to risk a referendum of Coloured and Indian opinion. The unwritten guests at today's feast have turned out to be the blacks who, excluded specifically from the constitutional exercise, have insisted on intervening — loudly — in the debate.

They have been saying: "Vote No — or antagonise us for ever. Vote No — or admit there is to be no negotiated future for this country. Vote No — or we shall have to reconsider our present preference for a peaceful solution to South Africa's problems." The leader of this rejection movement, or rather, the most vocal spokesman, has been Chief Buthelezi, Chief Minister of the Zulu homeland, but on this occasion he has been speaking for the whole range of black opinion.

It is a sobering thought for the whites today that the new constitution is rejected by the leaders of all black South Africa, of every political conviction, except for a tiny number such as President Sebe of the turbulent Ciskei homeland.

Some of today's Yes voters appear to be optimistic that this is just a beginning. More reform is on the way, they promise, and the black majority, or at least the urban blacks, will be part of it. The Prime Minister himself has given his answer: There is no "hidden agenda" for reform. This is it.

HOW THE NEW CONSTITUTION WOULD WORK

THE essence of the new constitution:

• The Coloured and Indian minorities are to be brought into the parliamentary system. The 2.5m Coloureds will elect a House of Representatives and the 4.5m Indians a House of Deputies, to join — though physically separate from — the 4.5m whites' House of Assembly.

There will be 178 white MPs, 85 Coloureds, and 45 Indians — the formula of 4:2:1. The formula is entrenched and any shift in population ratios would therefore have no impact on effective white control.

• The entrenched provisions of the constitution cannot be amended except with the agreement of a majority of the membership of each of the three Houses. Many of the powers of the State President have also been entrenched.

• Each House will legislate for the "own affairs" of its community (e.g. education, local government). Each will also be consulted about "general affairs" (e.g. foreign policy and black affairs). No House may interfere in the "own affairs" of another community. The State President will adjudicate on what are "general" and what are "own" affairs.

• Contact between the three Houses will be through a system of joint standing committees for "general" affairs. How they are supposed to work remains obscure. The role of the opposition parties in these committees has also been left unclear.

• The executive State President will have very considerable powers, in particular to appoint and dismiss the three chambers. He will be elected in effect by the largest party in the White House, i.e. the National Party.

• There will be a Ministers' Council for each community but for "general" affairs there will be a national Cabinet selected by the State President, which — in a dramatic break with South Africa's traditions — will include some Coloured and Indian members.

• A "President's Council," on which the majority will in effect be appointed by the State President and his party caucus, will adjudicate on disagreements between the three Houses. Its decision is final and beyond the courts.

• The fundamental legislation of apartheid will remain unchanged.

Men & Matters

In company

An eventful day, yesterday, for Britain's professional engineers as they became, in the words of the Lord Mayor of London, the 94th of the City's several companies.

Resplendent in newly-bought robes, such engineers as Sir Peter Gadsden, master of the new-born Worshipful Company of Engineers, and Sir Denis Rooke, as senior warden, sat down in their first official lunch in Mansion House.

Michael Leonard, Hon. Clerk, and one of the six founders of the company, explained how the engineers had found a "fast track" to higher status on what happened to be the 24th anniversary of the opening of the first part of the M1.

Six members of the Fellowship of Engineering, at a "coffee-house" meeting earlier this year, agreed to put up the money to get things moving.

They formed the Worshipful Company in June. By mid-September, the City's Court of Aldermen had agreed to the grant of livery. Now they number 50 and are looking for a suitable City hall.

Their coat of arms has been subtly drawn. A sun represents "any kind of energy you can think of." It has no fewer than 16 points. Then there is a light-house "to stop us going on the rocks." A shovel and a yardstick are other features. Every-thing rests on the back of Iron-bribe.

Canada's blue ribbon business club, the Business Council on National Issues, is in London today, intent on painting a brighter picture of Canada's economic prospects.

The rebound from the recession has been faster than in



"Offer the Receiver a train set, box of Meccano and twenty conkers and we'll take it from there"

most other countries, he says. And economic nationalism has gone out of fashion even in the Trudeau Cabinet.

D'Aquino's Council is a formidable organisation comprising about 150 chief executives of Canadian corporations, commanding assets of more than C\$150bn (£22bn), and drawn from mining, manufacturing, finance, and energy industries.

It is, he says, the shape of things to come in the structure of business-Government relations.

Sounds like a traditional lobby for big business? "Not a bit of it," he denies, flatly and rapidly. The Council's purpose is to make an effective contribution to the employment of national resources. It makes its views known on constitutional and parliamentary reform as well as economic affairs.

D'Aquino, who runs his own consultancy, offering advice on relations with government, was trained as a lawyer. He spent

five years in the Canadian public service and during the past decade has been legal adviser to Canadian enterprises, with spells in London and Paris.

Now he reckons to make quarterly visits — like this one — to London to speak to the Canada/UK Chamber of Commerce — to Washington, Paris, Frankfurt and Tokyo.

Clearly a man in a hurry. But then he needs to be. Traditional capitalism, he believes, may have been given its last chance to fight off the danger of government controls and of a world falling apart into separate trading blocks.

Sign of the times

Unemployed journalist Dennis Elwell, aged 51, of Stourbridge in the West Midlands, is opening a consultancy to help people with business and personal problems, using astrology as an aid.

The Government grant, which lasts for 12 months, is meant as an incentive to set up the business. "It is true that astrology is one of the techniques involved," Elwell says. "But there is no question of my wearing a pointed hat and being a sort of Russell Grant."

When they set down the cards pressed into a point right under the sciatic nerve, causing an agonising pain in the backside. "The pain could run down the leg causing the recognised orthopaedic condition we call sciatica."

Silver lining

Imagine my correspondent's surprise to find himself being hugged yesterday by a beaming East German trade official. It turned out he had been mistaken for a look-alike Australian wool dealer.

The ensuing chat revealed that East Germany is doing quite a lot of its own dealing these days, and not only in wool, which it buys and sells on Western markets.

East Germans, and others in Eastern Europe, are also adept at speculative trading in copper, lead, and above all, silver. This year, East Germany has sold record amounts of silver on the London Metal Exchange.

How they are supposed to work remains obscure. The role of the opposition parties in these committees has also been left unclear.

Clearly a man in a hurry. But then he needs to be. Traditional capitalism, he believes, may have been given its last chance to fight off the danger of government controls and of a world falling apart into separate trading blocks.

Communist speculators perform just as well for socialist society as capitalist speculators do for their own bank accounts. Once in a while, they do lose money on a deal. But the state gives them a second chance. Less certain, he admitted, that they would get a chance to prove themselves third time lucky.

Medical cards

Doctors have finally got to the bottom of a mystery ailment affecting credit card holders.

During the hot summer, many businessmen transferred bulky credit card wallets to their hip pockets, says Dr Robert Heath, of Bristol.

When they sat down the cards pressed into a point right under the sciatic nerve, causing an agonising pain in the backside. "The pain could run down the leg causing the recognised orthopaedic condition we call sciatica."

Sufferers from credit card sciatica have a simple cure, he says. "Just remove the wallet and the pain should subside."

Observer

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Ferranti's lucrative lead

Superstars from Oldham

By Alan Cane

TWO YEARS ago, Ferranti Electronics led the world in techniques for making a very special kind of silicon chip called an uncommitted logic array (ULA), a technology it had pioneered in the early 1970s and which made Sir Clive Sinclair's best-selling ZX81 home computer possible.

These chips could be designed and manufactured in a fraction of the time needed for conventional semiconductor circuits and everybody realised—with some surprise—that the Oldham company had cornered the market in one of the key, lucrative, technologies of the 1980s.

The question then was: how much longer could Ferranti keep the silicon giants at bay? The answer, more than two years on, is that Ferranti is still the world leader in logic arrays with no real suggestion that its dominance is threatened in the near future, even though it now faces increasing competition.

Its market share has been weakened—down from 30 per cent to 25 per cent—with the arrival of about 100 competitors in the field, from the mighty Texas Instruments downwards. But what is more striking is that no competitor has emerged from the pack to challenge Ferranti's leadership.

It proved more difficult to shake Ferranti's supremacy than even the biggest semiconductor companies could have guessed. "Texas Instruments blew it," one industry specialist said brutally this week, alluding to the fact that the giant of the semiconductor business had problems with its gate arrays, which forced it to withdraw from at least one sector of the market. "If these guys were working in the States, they'd be superstars today," another said, pointing to Ferranti's lack of flamboyance.

Uncommitted logic arrays (or gate arrays) are silicon chips in which the standard electronic circuit features—transistors, resistors and the like—are built up in layers to a standard pattern. The top layer, the metal interconnections which define what the chip will do, is fabricated to the customer's specific requirements. It means that a prototype chip which might cost \$250,000 designed from scratch by hand can be created as a gate array for \$20,000 or

FERRANTI

Ferranti is still the world leader in uncommitted logic arrays with no real suggestion that its dominance is threatened in the near future, even though it now faces increasing competition.



Mr. Bryan Down, Ferranti's marketing director

so and in a fraction of the total time.

The market for these chips is worth about \$250m world wide, suggesting that Ferranti, with its 25 per cent market share, turned over some \$62m in gate arrays last year: a figure which Mr Bryan Down, Ferranti's marketing director, does not dispute.

Gate arrays are used in the miniature electronic circuits in some of the world's most fashionable cameras, in medical equipment, in telephone switchboards and in computers. Perhaps the best known ULA of all was that specified by Sir Clive Sinclair for the ZX81. It enabled him to cut the number of chips used—and hence manufacturing cost and price—by more than 75 per cent.

Sir Clive's latest offering, his 380 pocket-sized television, contains a Ferranti full custom chip which is effectively a complete television receiver on a chip, an example of Ferranti's skills at combining digital (computer-like) and analogue circuitry on the same chip.

Ferranti's success is based on superb technology, determined marketing and an understanding of the service aspects of the ULA business. "We have been in this business a long time and we know the problems. If our customers need their hands held, we are ready to do it," says Mr Down.

The technology is unique, recognised universally as brilliant, coupled with a special facility for working with the best companies in the UK electronics industry to their mutual advantage. The relationship with Sinclair is one example: he demonstrated dramatically the value of ULAs in small computers, so opening up a substantial new market to Ferranti and others, like AMI, LSI Logic and Philips. It is the kind of interchange—or synergy—that is taken for granted in Silicon Valley, but so far rare in Britain.

This week, Ferranti announces the spectacular results of another piece of collaboration, this time with Lattice Logic of Edinburgh, Scotland. Headed by Mr John Gray, formerly leader of the silicon structures project at Caltech, this company is one of only two in the world specialising in ways of persuading computers to design their own silicon chips. (The other, Silicon Compilers Inc, is on the U.S. west coast.)

Ferranti has invested some \$2m—£200,000 of it with Lattice Logic—in a way of designing ULAs automatically. The customer specifies what the chip must do, directions are fed into the computer and complete plans for the chip emerge at the other end.

There is some loss of efficiency in chip design compared with paper and pencil, which is

still the very best technique because computers haven't the flexibility of brain power—though they are much faster. The computer can actually draw up the base layers for the chips in five minutes, a job that used to take a month. Preparing the final connections can take only one hour using the new Ferranti system, compared with several weeks previously.

All in all, Ferranti reckons to have cut design time for a complex chip from 24 weeks to eight weeks, giving its customers a significant advantage in getting new products from drawing board to marketplace. It is the kind of innovation that Ferranti needs if it is to stay ahead. Industry analysts believe that ULA technology will be challenged in the next five years by another low cost design method, standard cell, in which, for example, Texas Instruments has taken a large stake. This is a building block approach utilising "libraries" of standard components.

Mr Adrian Tarr of the consultants Dataquest estimates the European market for gate arrays as \$66m today against \$9m for standard cells. By 1988, however, the balance will have swung towards standard cells, for which the market will be some \$306m compared to around \$45m for gate arrays.

Ferranti tends to play down the standard cell challenge, believing that the libraries will prove too expensive to maintain, and inflexible in practice.

Ferranti's sales figures show that it is selling ULAs substantially outside Europe. In tandem with its American subsidiary, Inverdesign, it is taking the chip war increasingly to the U.S., which Mr Down has identified as the critical market. For the moment Ferranti will not release its American client list, but it is thought to include some of the very largest computer companies.

Ferranti has taken on the Americans in gate arrays and won. But it is a very hard world in which even the mightiest can stumble—as Texas Instruments showed last week when it pulled out of home computers. For Ferranti the question is still whether it can retain what Mr John Gray of Lattice Logic calls its "unique edge" in the market place.

Details of Ferranti's new ULA process are given in today's Technology Page.

WHEN NOBEL prize winner F. A. von Hayek wrote his famous book "The Road to Serfdom" in 1944, he could not foresee that European Economic Community would come into existence, that this Community would have a Common Agricultural Policy and that this policy would finally end in impasse.

Yet today his book reads like the secret script for the CAP.

One element of von Hayek's theme is the inevitable tendency of government intervention to spread. If the state starts thwarting market forces heavily at one end of the economy, this creates difficulties at another end. Governments feel pressed to do something about these secondary problems, and as they implement new measures the trouble is multiplied. Bureaucratic regulations cover more and more activities, and in the process the economy (and, indeed, the society) comes increasingly under the scourge of state control. What started in liberty ends up in serfdom.

The development of the CAP over the last few years is a faithful representation of this theme. But, it seems, the bitter end is still to come.

The CAP has run out of money. The Stuttgart summit will see the Commission submit proposals for reform and

Anxious to stop gaps rather than cure the cause of the problem

instructed the Council to adopt solutions to the problem.

A naive observer might think that the obvious and immediate reaction is to avoid the mistakes of the past, i.e. to redress farm price support and market intervention. Quite wrong! As if they had to follow von Hayek's dismal vision like puppets hanging on invisible strings, EEC farm policy makers are anxious to stop gaps rather than to cure the cause of the problem.

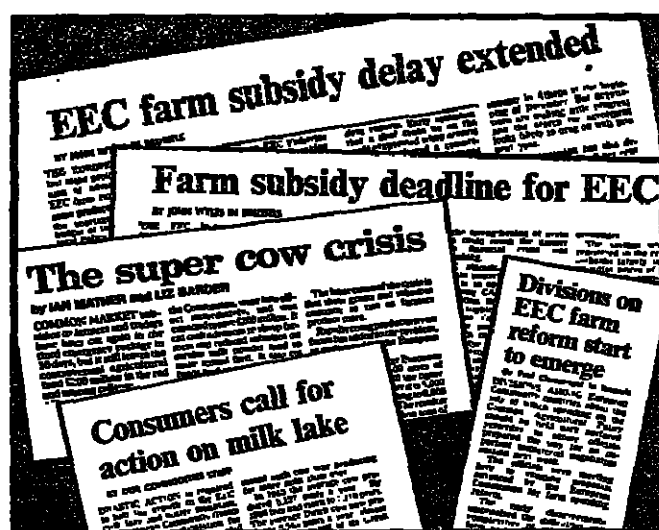
To be fair, one has to admit that the Commission has included a gradual reduction of the level of farm price support as one element in its reform proposals and acceptance, if it is elements of the Commission's proposals and acceptance, it is politically rather unlikely that CAP price support will be redressed. These other elements include, amongst others, restrictions on imports of grain substitutes, a double purpose policy. Imports of feedstuffs which can be substituted for grain (such as manioc or corn gluten feed) have increasingly displaced cereals in EEC compound feeds, as the CAP has made grain more and more expensive in the Community while grain substitutes could be imported rather liberally.

Restricting substitute imports

Common Agricultural Policy

Europe and the road to serfdom

By Stefan Tangermann



may help to restrict expenditure from the EEC budget, though not to the extent which politicians would like us to believe. It is highly unlikely that EEC farm ministers would agree to an aggregate volume of quotas significantly below current EEC milk production, as proposed by the Commission. Should they adopt the quota solution, the usual adding-up of national interests will, rather, result in a relatively high level of quotas.

But even if quotas help to restrict Community budget expenditure, this is an optical illusion even greater than in the case of the fat tax.

Farm ministers will support dairy farmers' incomes, which can no longer grow through an expansion of output because of quotas, by stepping up milk prices. This means that visible Community budget expenditure is replaced by a hidden burden on EEC consumers of milk and dairy products. And as this consumer burden is hidden there will be a tendency to increase it more and more. Experiences in countries which have milk quotas demonstrates this point forcefully.

Some farm policy makers argue that problems like these are negligible as quotas will

Shifting the burden from the Budget to the consumer

be established as an interim solution only, until difficulties in the EEC milk market are solved.

These politicians are either naive or cynical. Under the umbrella of quotas, milk prices will be raised to such an extent that it will soon be impossible to remove quotas without a massive boom in milk production or a drastic cut in milk prices, both of which will prove politically unacceptable.

Quotas are here to remain. Again, the history of other countries contains lessons for anyone willing to listen.

A decision to introduce milk quotas in the EEC would, therefore, be a fundamental and irrevocable change of the CAP. It would add a decisive new element of heavy government intervention to the Community's farm policy, instead of decreasing interference with market forces in the light of our unhappy experiences with the CAP.

Milk quotas would lead the CAP on a road to serfdom, on a road which would turn out to be a cul-de-sac, with no turning point at the end. Save the CAP before it is too late!

Stefan Tangermann is Professor of Agricultural Economics at the University of Göttingen.

Letters to the Editor

Confusing the electorate

From Mr Andy Thompson

Sir,—In his article on electoral systems (October 13) Mr Puzer suggests that tactical voting can occur in those electoral systems which allow preferential voting, as in France and Australia. This is no doubt the case in the second ballot system in France, where there are only two stages of elimination for unsuccessful candidates. However, it is most unlikely in Australia, where the alternative vote (AV) system applies in the most important elections. Under this system the voter numbers each candidate in order of preference, and candidates are eliminated from the bottom in successive counts with their next preferences redistributed to remaining candidates.

There is only one form of tactical voting which could conceivably make sense under AV, and this is very unlikely to occur in practice. It would, for example, require dedicated Conservatives in Tory held seats to give their first preference to Labour—the motive being to ensure that the Alliance candidate finished third behind Labour and was thus prevented from defeating the Tory with the aid of the second preference votes of genuine Labour supporters. If too many Conservatives voted this way the tactic could of course backfire, leading to the election of the Labour candidate with Tory votes. It would therefore be a

hazardous and unappealing manoeuvre.

The AV system has much to recommend it. It would remove the capricious absurdities of our first past the post (FPP) system, while retaining the undoubted advantages of the single member constituency. The perpetual coalitions and minority administrations which could result from proportional representation would probably be avoided. There would remain a bias in favour of the strongest party gaining an overall majority of seats, but only where this was backed by a degree of consensus in preferential terms.

Peter Puzer may well be wrong in suggesting that the AV system might not have overturned some of the overall majorities recorded in the closer Election contests in post-war Britain. His mistake lies in assuming that the pattern of first preferences under AV would match the actual votes recorded under FPP. In fact many of the latter have not been genuine first preferences. Throughout most of the post-war period the Liberals have suffered from the "wasted vote" syndrome across the country. It is likely that in a small but sometimes critical number of constituencies they could have been elected under AV even where they came a relatively close third under FPP.

Andy Thompson,
25 Conrad Drive,
Worcester Park, Surrey.

Investment for a nation

From Mr Philip Chambers

Sir,—For all the Government's concern with unemployment and the billions of pounds being spent in one form or another in attempts to achieve some reduction of the number, I have yet to read or hear the suggestion that one very positive way in creating employment and at the same time creating great beauty, in place of what at present is desolation, would be the reforestation of the Scottish Highlands. Also large tracts of Wales which at present are barren wastes.

Three achievements would be gained from this venture and they are:—

1. Employment for some thousands of men.
2. Creating beauty over great areas of our country which at present are nothing more than nearly desert.
3. Making an investment for the nation in its future supplies of timber, which would pay a hundred times over the tens of millions of pounds that would now be spent. (Which is something that cannot be said of many Government sponsored ventures.)

A bonus to the scheme is that it would not require a new department of Government and a proliferation of civil servants, as we already have in being the required organisation and expertise in the form of the Forestry Commission. The Commission now having been established for some half a century has acquired the knowledge and experience to be able to take on such a major enterprise without the waste and incompetence which is to be expected from a major venture started from scratch without tried and experienced personnel to run it.

The Government which was responsible for creating the new forests to beautify our country would be remembered with gratitude by future generations; and the great forests would be a living memorial to that Government's constructive foresight.

Philip Chambers,
Keen Ground,
Hawkeshead,
Cumbria.

Accountants in local government

From the County Treasurer, Devon

Sir,—I note with some interest the allegations of overpayment of accountants in the public sector reported on October 17.

On the general allegation, your report does not indicate the degree of analysis carried out by the consultancy referred to; were job descriptions, responsibility levels, experience requirements etc compared? Or was it, as I strongly suspect, a superficial exercise carried out without these essential comparisons. Too often the public sector is castigated by outsiders without knowledge of their services.

Devon is one local authority singled out for allegedly paying over the market rate. To my knowledge the consultancy did not seek from me any information about the jobs advertised. In both cases, wide external advertisement has produced very few applicants who remotely measure up to the requirements of the job. In one case, an Audit post was offered to an accountant from the private sector who was promptly promised more money by his employer—and accepted the promise. Re-advertisement of this post has produced only four applicants countrywide. Local government is by any standards very big business. It

needs accountants with drive, initiative and vision. In most cases, we cannot compete with the "fringe" benefits offered in the private sector. That presents a major recruitment problem.

But of far greater impact on recruitment is the continuing "bad press" which the public sector continues to receive. Is it any wonder that recruitment becomes difficult if not impossible? No thrusting, ambitious young accountant will be likely to wish to join us in doing a vital and important job when the credibility of the organisation is constantly doubted.

Perhaps you would care to publish this in the interests of balanced reporting.

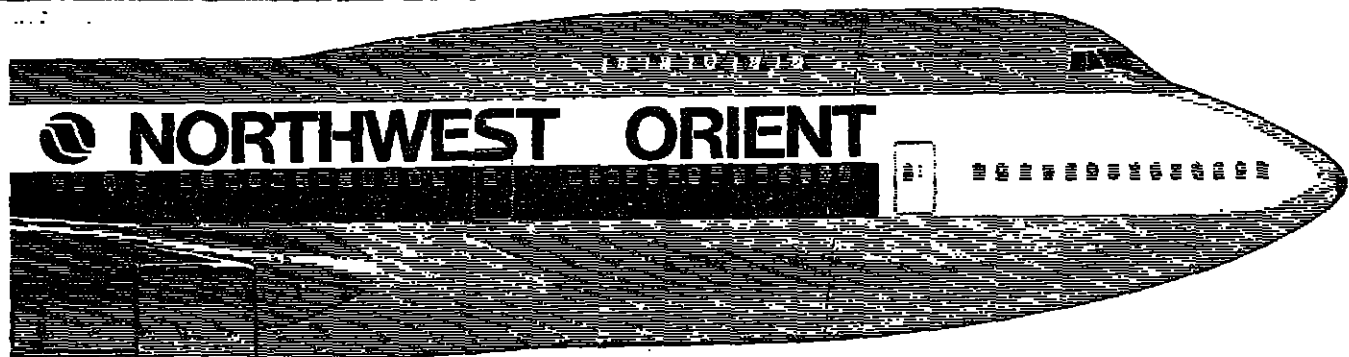
B. J. Weston,
County Hall,
Exeter.

Absorbing Pink-un

From Mr Roger Pulford

Sir,—I can support the experience of Mrs Brown (October 28) who advocates the use of the FT's moisture-retaining quality for growing beans, by explaining that our family rabbit, Sophie, tears to shreds all newspapers in her hutch, other than the FT which she finds most absorbing!

Roger Pulford,
33 Selwyn Crescent,
Hatfield, Herts.



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Argentine junta plans December handover

By Jimmy Burns
in Buenos Aires

ARGENTINA may return to civilian rule more than a month earlier than planned following Sunday's election victory by Sr Raul Alfonsín's Radical Party.

President Reynaldo Bignone and the ruling junta were meeting yesterday to arrange a date for the handover of power - expected to be December 5 or 15. Before the election, January 30 had been planned.

The junta, which had earlier been deeply split over the timing of its withdrawal from government, has been reassured by the relatively stable aftermath of the poll. The political atmosphere yesterday remained good spirited and generally calm, following isolated clashes between rival factions and one report of looting on election night.

This is in stark contrast to the last time a period of military government was brought to an end. In 1973, armed youths celebrated the victory of the Peronist candidate, Sr Hector Campora, by occupying public buildings and marching on prisons to demand the immediate release of all political prisoners.

Party leaders have gone out of their way to bury the angry rhetoric of their campaigns in preparation for a political pact. On Monday night, as final results confirmed a clear majority for Sr Alfonsín, the Radical candidate held a "meeting of reconciliation" with the defeated leader of the Peronist party, Sr Aldo Lauder.

Both said they had agreed to work together for the sake of national unity and would seek the co-operation of their respective parties in Congress for the application of key legislation. They urged the military authorities to hand over power as soon as possible.

By law, Sr Alfonsín cannot be sworn in as president until his victory has been formally endorsed by the civilian electoral college on November 30. But, having achieved a clear majority in the college, the Radical leader yesterday began sounding out candidates for his future government.

Significantly, the only Radical minister to have so far been confirmed in his post is Sr Juan Carlos Pugliese, the Economy Minister during the last Radical government (1984-86). Sr Pugliese will now head a revamped Ministry of Defence, underlining the Radicals' commitment to military reform. The party has promised sweeping changes in the military hierarchy, drastic cuts in defence spending, and the scrapping of compulsory national service.

The Radicals are also expected to draw on an experienced economic team, including Sr Enrique García Vazquez and Sr Bernardo Grunspan. They have been tipped for the posts of central bank governor and Economy Minister, and are regarded in banking circles as moderates and helpful figures in negotiating Argentina's \$30bn foreign debt. Domestic policy will be focused on a social contract with both sides of industry aimed at curbing Argentina's inflation rate of over 500 per cent.

One of the more problematic issues facing the incoming government is human rights, and it is here that one of the main points of tension with the armed forces is expected to arise.

Radicals examine debt, Page 3

IBM in \$669 challenge to home computer rivals

By PAUL TAYLOR in NEW YORK

INTERNATIONAL Business Machines (IBM), the world's largest computer maker, which has already taken the personal computer market by storm with its IBM PC, yesterday unveiled its long-awaited and much talked-about entry into the home computer business. However, IBM said its new product will not be available for sale for several months.

The IBM PC Jr will be sold in two models with a starting price of \$669 beginning next spring.

The product, immediately hailed by industry analysts as "a major new consumer product," is widely expected to be the key influence in a redefinition of the expanding, but financially troubled, home computer market in the U.S.

The IBM PC Jr - codenamed "the Peanut" during its development - was unveiled at a typically low-key IBM demonstration in the company's recently completed mid-town Manhattan offices.

Many of the machine's advanced

features - including its infra-red remote control system, which allows the slim-style detachable keyboard to be used away from the main unit - had been widely leaked ahead of the formal launch.

Wall Street analysts suggested this may have been the reason why IBM - somewhat uncharacteristically - decided to announce the product to retailers.

IBM said yesterday that delivery of the basic computer and a \$1,200 enhanced version equipped with extra memory and a disk drive would begin "in the first quarter of 1984." The company said that while it will continue to increase production rates through 1984 "initial supplies will be limited and may not be sufficient to meet expected demand."

Retailers say they have been told to expect only demonstration units this year, with volume shipments due to begin at the end of the first quarter of 1984.

The PC Jr, which is capable of running many of the sophisticated programmes such as word processing packages and spreadsheet analysis available for the IBM PC, will also be marketed through IBM's extensive national marketing division.

The delay in shipments was yesterday greeted with surprise by some Wall Street analysts who believe it may offer a breathing space to other computer manufacturers like Apple Computer, Commodore and Tandy, whose existing and planned products are likely to be in direct competition with the IBM PC Jr.

Reaction from other manufacturers was predictably muted.

Tandy, which markets a wide range of personal and home computers, said it was "too soon to tell what impact the IBM machine will have on the market."

Ferranti's lead, Page 15; PC Jr profile, Page 17

New Immos chip will process 10m instructions a second

By ALAN CAME in LONDON

IMMOS, the UK's state-backed semiconductor company, yesterday launched its first "transputer", a microprocessor chip which the company sees as the key to its future.

The new chip, developed at a cost of nearly £5m (\$7.45m), will complete at the rate of 10m instructions a second, as fast as the very largest IBM computer of only three years ago.

It is the most important product the company has launched, the first of a family of similar "superchips" and one which could confirm Immos' growing reputation as a semiconductor innovator of high quality.

If the electronics industry rejects the controversial product, however, the future of Immos must be at risk. The new device will be announced at a major electronics con-

ference in the U.S. next week. The first production samples will be manufactured at Immos's fabrication plant in Boulder, Colorado.

The name transputer was coined by Mr Iann Barron, one of Immos' founders and its director of strategy. Immos argues that the transputer, basically a very powerful microcomputer, will prove much more powerful yet much easier to incorporate into products than conventional highly powered microprocessors.

Mr Barron said yesterday: "It will be much faster than other microcomputers and it will be easier to program and cheaper to engineer into systems." He was unwilling to set a market value for the new device.

"It is a programmable component

for electronic systems so its potential is as great as that of the electronics industry - and that is still growing," says Mr Barron.

The transputer is likely to be used first for signal processing and advanced computer terminals.

With the introduction of the transputer Immos offers both manufacturers and microprocessors, and is already well placed in the static random access memory market.

The transputer does not exist yet, although prototypes of simpler devices processing 5m instructions a second have been built, and proved to work.

The company is still seeking external financing, although neither it, nor Mr Barron, would comment yesterday on progress.

Technology, Page 12

Bowater to sell loss-making Canadian newsprint assets

By ANDREW FISHER in LONDON

BOWATER, the UK paper and packaging group with important North American interests, is selling its largest Canadian newsprint mill, in Newfoundland, after making heavy losses there.

The announcement of talks with potential buyers bought the Bowater share price, which closed 5p higher at 210p. Earlier this year, the group was the subject of takeover rumours which pushed the price up to 245p in the summer.

Bowater did not say which companies had shown an interest in the Corner Brook mill, or what price it was seeking. But the potential buyers are believed to be from North America.

The group earns most of its profits in North America and accounts for 10 per cent of the U.S. newsprint market, mainly through mills in Tennessee and South Carolina.

The decision to sell the Corner Brook assets, which also include a hydroelectric power plant and 4km acres of leased woodlands, follows pre-tax losses there of £34.5m

(US\$3.6m) last year and a likely loss of over £510m in 1983.

The Corner Brook mill, bought in 1980, accounts for about a fifth of Bowater's North American capacity of 1.3m tonnes of newsprint a year. The bulk of this capacity is in the U.S. south. The Newfoundland mill is Bowater's only loss maker in North America.

Bowater's profits slumped in the first half of this year, mainly because of weaker North American newsprint and pulp markets.

The group pre-tax profit fell from £42.3m (\$63m) to £24.8m. Trading profits in North America were down from £30.3m to £23.3m. Recently, however, newsprint demand and prices there have begun to pick up.

The Corner Brook operation is valued in Bowater's accounts at £394m. But market analysts said the group would achieve nowhere near that figure and Bowater admitted it would make a loss on the proposed sale.

Corner Brook's operations were slumped down by Bowater in April, with the closure of one of the five machines, reducing annual capacity from 415,000 to 300,000 tonnes annually. The mill employs 1,500 people - 700 were laid off with the machine closure.

About three quarters of the Corner Brook output is now exported outside North America. But competition in these markets has been fierce recently, especially from Scandinavian producers.

About half the Corner Brook output used to go to the U.S. Large capacity additions by U.S. and Canadian newsprint producers have, however, squeezed the Newfoundland mill out of this market.

Bowater's large Calhoun newsprint mill in Tennessee, the Catawba mill in Carolina, and the Mersey operation in Nova Scotia, jointly owned with the Washington Post, will be unaffected by the Newfoundland decision.

See Lex, this page

Currency controls fail to halt flight from shekel

By David Lennon in Tel Aviv

ISRAEL'S decision to reintroduce foreign currency controls was welcomed by most sectors of the economy yesterday, but it did little to slow the continued run on bank shares, one of the primary objectives of the new regulations.

The move came exactly six years after foreign currency restrictions were lifted.

Mr Yigal Cohen-Orad, Israel's Finance Minister, announced the move on national television late on Monday. Israel will be allowed to hold up to \$3,000 in cash or travellers' cheques, but only for travel or purchases abroad.

This latest emergency step was forced on the Treasury after it realised that the 23 per cent devaluation of the shekel last month and the provision of a guaranteed base price for bank shares had not halted the flight from shekel securities to dollars, for which there was heavy demand this week.

The need to stem the public's purchase of dollars was underlined yesterday by the news that Israel's foreign currency reserves fell last month by \$176m, the largest drop in a single month in the past 10 years.

The reserves now stand at \$2.75bn, after falling by \$422m in the past six months.

The sale of bank shares yesterday made it clear that the public is still awaiting some comprehensive measures to deal with the economic crisis. Until the Government takes more serious steps it appears that the public will continue to prefer hard currency investments over those denominated in shekels.

The Government had to spend another \$45m yesterday to buy up bank shares on the Tel Aviv Stock Exchange to prevent their prices falling further. Despite spending some \$350m to support bank shares since trading was resumed in the middle of last week, the price of these shares has fallen by 23 per cent.

Currencies, Page 33

Japanese in Belfast ships deal

Continued from Page 1

job losses. It still remains Ulster's largest industrial employer, but at one time it employed up to 25,000 workers, mainly Protestants from East Belfast.

Founded in 1833, Harland became renowned for building passenger liners, including the Titanic, which sank on its maiden voyage in 1912 after hitting an iceberg. The workforce was steadily reduced in the 1960s and a new dock, designed to build the largest supertankers, was completed just before the oil crisis caused the tanker trade to slump.

Harland became wholly state-owned in 1975, and, since then, over £200m of public funds has been committed to it. It has recently submitted a corporate plan to the Government which would reduce its working area of 530 acres by about a quarter and invest in computer-aided design and manufacturing techniques.

Mr Parker said yesterday he thought Harland could build five of the Friendship HT ships a year. The vessels, designed by Bahamas-based Algonquin International, can carry general cargoes, newsprint, package lumber, grain, ores and other bulk commodities.

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THE LEX COLUMN Assets lose their allure

Reed International has seen the benefit of less depressed markets for many of its businesses in both the UK and the U.S. in the half-year to October. Pre-tax profits in the period have risen from £26.1m to £39.2m, with the second-quarter outcome nearly twice as high at £18.8m. But the improvement is far from being a purely cyclical phenomenon. The best gains have been seen in businesses in which Reed has been vigorously expanding its interests in recent years.

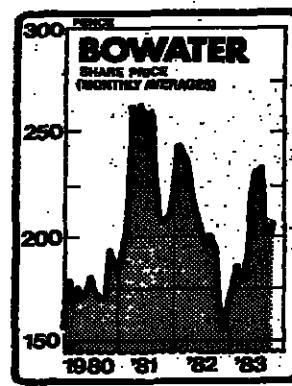
In particular, U.S. publishing, where Reed has established a strong position in technical magazines, has shown a strong gain, helping to compensate for the disappointing newspaper performance. UK publishing was also healthy, boosted by the elimination of some £14m losses at Odhams. Elsewhere, building products in the UK have been usefully higher, while decorative products were back in profit, again after loss elimination.

Between 1979 and 1983, the proportion of turnover in publishing has risen from 28 per cent of the total to 43 per cent, with paper and packaging turnover dropping from 30 per cent to 37 per cent. The shift away from asset-hungry businesses - now common in a range of UK companies - has the effect of reducing internal cash demands for capital expenditure. Net debt currently stands at about 40 per cent of net tangible assets, and with a further cash inflow to come with the disposal of the Mirror Group, Reed is in a position to launch into a series of acquisitions to boost its presence in information markets. The share price, which has remained buoyant since the Mirror disposal plan was announced, moved up a further 6p yesterday to 346p, on the dividend rise.

The cost of building a mill of this size from scratch is probably around £340m and Canadian newspaper shipments are at last showing a glimmer of recovery, so Bowater may be able to persuade a purchaser to take the related debt, totalling £351.6m at the end of last year along with it. However, any book loss to Bowater will be comfortably offset by the advantage of shedding such a copious capital-guzzler.

While Reed International has been busy diversifying out of capital intensive businesses, Bowater has mostly been clinging on and praying for an upturn. This comes in the context of a company whose stock price has fallen by 23 per cent since the start of the year.

More recently, however, even Bowater has been indicating that it would use the next cyclical upswing to shift the balance of its business



ages for dealers, the cost of which has been hard to shoulder at a time of heavy spending on the capital account.

Foreign exchange gains, contributed £21bn this time last year, have now evaporated, leaving the group heavily dependent on buoyant U.S. sales volume to stem the decline in its fortunes. This week's renegotiation of export quotas to the U.S., giving the Japanese an increase from 1.68m to 1.85m units, will probably be viewed as a satisfactory compromise by the industry, although the major producers may wish this time to share the cake with the smaller companies like Isuzu and Suzuki. So Nissan may well continue to build up its overseas manufacturing base, even if the introduction of a car assembly line in Tennessee currently looks more likely than a green light on the long-mooted UK plant.

After the experience of the past few years, Bowater was understandably reluctant to invest perhaps £325m in bringing the mill up to scratch and appears close to finalising a sale. Equity in the subsidiary company is stated at £354m in the 1983 accounts, but that will have been depleted by retained losses this year and substantial provisions may well have been made in the parent's accounts.

The cash generating power of casinos can be formidable, and has been used in the past to finance major diversifications - as in the case of Ladbroke. No clues are given on what Aspinall intends to do with its copious surplus cash but, with Sir James Goldsmith indirectly holding 40 per cent of the company, it will probably not be left on deposit in a commercial bank.

Ladbroke, a flavour of the aggressive attitude to fund management in store can be seen in the \$41m play on U.S. interest rates of a month ago. For what it is worth, the price-earnings - of about 10 times, fully taxed - is on the same 'baize table' as those of Pleasura and Trident.

What would happen if the board relaxed its strict limits on the number of new clubs?

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SECTION II - INTERNATIONAL COMPANIES FINANCIAL TIMES

Wednesday November 2 1983



Japan curbs 'notorious' Sarakin loans market

BY YOKO SHIBATA IN TOKYO

NEW LAWS to regulate Japan's notorious unsecured consumer loan market came into force yesterday following a sustained campaign by the press and the business community over the activities of some of the less respectable companies operating in this sector.

An estimated 40,000 to 50,000 companies are involved, known as Sarakin companies, which provide unsecured loans for unspecified purposes with interest rates that have been as high as 110 per cent per year. The Sarakin companies are not a minor industry - rapid growth saw ¥2,500bn (\$10.7bn) worth of business on their books in March and the top four companies had an average growth of loans issued of over 115 per cent last year.

An upsurge in bad debts and the accompanying tragedies - there have been more than 1,000 reported suicides so far this year connected with Sarakin loans - led to a public outcry and demand for legislation earlier this year.

The new laws lower the maximum lending rate to 73 per cent for the next three years. Then the rate will go down further to 54.75 per

cent and at some point in the future to 40 per cent. The laws also impose limitations on the use of force by debt collectors working for the Sarakin companies.

Harassing debtors at their homes between 9pm and 8am, at their offices or embarrassing their children are all now banned. So also is the employment by Sarakin companies of anyone with a criminal conviction in the previous three years.

At the same time the Finance Ministry has urged banks and insurance companies to stop lending money to Sarakin companies. Some ¥1,000bn has been lent, directly and indirectly, by regulated institutions to such companies - about a quarter of it by foreign banks.

A credit squeeze on the Sarakin by the banks and insurance companies that started this summer is already beginning to have some effect. However, its most serious impact has been on the borrowers rather than the companies.

The wave of suicides in recent months is said to reflect the increased pressure from the money-lenders attempting to recover loans

before the new laws came into effect.

The credit squeeze has also made the Sarakin look more closely at applicants for credit. Some chronic heavy debtors, unable to borrow money from one Sarakin to repay another, are now being driven to desperate measures.

Faced with criticism that its proposed law on the Sarakin did not go far enough the ministry has responded with a set of guidelines for the companies. It is under these that the use of undue pressure to repay loans is prohibited. There is also a limit set of ¥300,000 for any single borrower.

However, many in the banking world point out that the law and the guidelines are full of loopholes. The bigger Sarakin are now the size of mutual banks in terms of their loan portfolios and have profits comparable with those of the major regional banks.

Some even have cash dispensers and automatic teller machines and, in terms of automation, with the top city banks. These will easily find their way around the new regulations - or so it is feared.

Canada permits discount broking

By Nicholas Hirst in Toronto

BANKS and other large financial institutions in Canada have been given permission to offer a cheap share buying service by putting trades through newly formed discount brokers.

In a landmark decision the Ontario Securities Commission (OSC), the senior regulatory body in Canada, has rejected arguments by the securities industry that to allow financial institutions to promote cheap share trading services would lead to an undue concentration of financial power and damage brokers' ability to underwrite new issues.

"We are hoping that there will be more investors in the capital market because they will be affected by a broader access to those capital markets," Mr Peter Dey, chairman of the OSC said.

The Toronto Dominion Bank, one of the big five Canadian chartered banks, is expected to offer a widely advertised service within a matter of weeks.

Discount brokers prepared to trade shares at low commissions without giving any investment advice were set up in Canada after the OSC ordered an end to a system of regulated fixed rate commissions on April 1.

The Toronto Dominion announced plans to set up a service which would allow an investor with a minimum portfolio of C\$ 10,000 (US\$6,130), executing at least five trades a year to use a toll-free telephone line to place share deals through discount brokers. Banks have always been allowed passively to accept share trades from their customers, but the securities industry argues that by advertising such a service the Toronto Dominion would be acting against the spirit of the Bank Act. The securities industry said the proposal was "the thin end of the wedge" for the banks to move in on the brokerage business.

Toronto brokers busy, Page 18

Louise Kehoe in San Francisco examines the launch of a new IBM model

Frontal assault on home computers

IBM HAS declared itself the owner of a major portion of the \$4bn market for home computers. With the announcement in New York yesterday of "PC Jr.", previously known by the code name, "Peanut", IBM has brought its huge marketing power to bear upon the consumer computer business.

PC Jr will unseat Apple Computer and Commodore International as leaders in the field, according to industry analysts and computer retailers. Both companies will be put under pressure by competition from PC Jr, which is expected to have an immediate impact upon their sales, analysts suggest.

"IBM will play on its strength in the corporate market to persuade individuals to buy a home computer that works just like the one on their desk at work," predicts Mr Bill Frank, senior vice-president of InfoCorp of Cupertino, California. He believes that PC Jr will expand the home computer market by attracting a large group of potential customers who previously were unsure about the advantages of a home computer.

Corporations that have already purchased large quantities of the more expensive IBM desk top personal computer are expected to encourage executives to buy a PC Jr to use at home. Corporate discounts

and schemes to relate PC Jr purchases to business, making the machines a tax deductible expense, are also expected.

InfoCorp estimates that IBM will ship 20,000 units this year - enough to supply each of their U.S. dealers and sales groups with about 15 machines. IBM has said only that it will begin shipments in December and increase production rates through 1984.

"Initial supplies will be limited and may not be sufficient to meet expected demand," the company said. InfoCorp predicts that IBM will ship as many as 300,000 units next year, more than most of its competitors combined, placing it immediately at the head of the home computer market.

By delaying shipments until December, IBM appears to be gambling that consumers will delay buying a personal computer until the PC Jr is available, thus missing the Christmas boom. Mr Ulrich Weill, electronics analyst at Morgan Stanley, says "if that is their strategy, they are making a big mistake."

PC Jr will come in two versions. The basic model, priced at \$669, uses plug-in cartridges much like those used for video games. The keyboard units will transmit signals to the computer box via infrared signals on the same principle as many remote TV controls. IBM is also offering a \$1,269 version of PC Jr, with an added disk drive. That will enable the unit to run more complex programmes such as spread sheet analysis, word processing, and data management.

With the PC Jr, IBM has announced a communications device that enables the home computer to receive and transmit information to and from other computers, such as corporate main frames. Other options include a joystick, for computer games, a thermal printer, and more than a dozen software programmes.

An important feature of PC Jr is that it is compatible with IBM's hugely successful desk top personal computer. The machines are so similar internally that very little modification will be required to make PC

programmes run on Jr. Already dozens of software companies are rushing to launch new versions of their programmes to fit the Jr.

The higher-priced version of the PC Jr is seen as a direct competitor for the Apple IIE, which currently sells for around \$1,300 in a similar configuration. The \$669 version of the PC Jr will compete directly with the Commodore 64 home computer.

A shortage of PC Jr units could initially present an opportunity for IBM's competitors to mop up demand created by the IBM announcement, say computer retailers. Longer term, however, both Apple and Commodore are expected to re-position their products to counter the new IBM competition.

Mr John Sculley, president of Apple, said in a recent interview that his company will leverage the advantages of its five-year-old Apple II to counter IBM's entry into the home computer market. "An Apple II is much easier to use than an IBM personal computer," he claimed. "I know - I am a former IBM PC owner myself!" he added.

"We will enhance the ease of use features of the Apple II, adding more technology to the product," he said.

Commodore International did not respond to IBM's announcement yesterday.

Tokyo relaxes controls on syndicated yen borrowing

TOKYO - The Finance Ministry has told Japanese banks that they can proceed with plans for the issue of yen syndicated loans to overseas borrowers. The ministry has also lifted controls over the issue terms of yen syndicated loans according to bankers.

In the past the ministry has issued six-monthly quotas for banks and set guidelines for issue terms. The quota for the April-September period was ¥700bn (US\$34bn) to all borrowers, including sovereign

borrowers, international financial institutions, and corporate borrowers.

The loans were to be supplied at 0.2 to 0.3 percentage points above the long-term prime lending rate in Japan, which was 8.4 per cent for most of the period.

The ministry is no longer to announce the total of individual banks' lending plans for the October-March period, because there are no longer quotas.

However, the ministry will continue to monitor the banks' yen syndicated loan issues monthly, in case the controls need to be tightened again for balance of payment reasons or to check any unusual increase in lending.

The ministry also told banks it hopes their total yen syndicated loan issues would not exceed by too much the April-September level.

The banks were also given to understand that the ministry does not want any drastic changes in issue terms.

Reuter

Some even have cash dispensers and automatic teller machines and, in terms of automation, with the top city banks. These will easily find their way around the new regulations - or so it is feared.

Romatex cuts payout as earnings contract

BY JIM JONES IN JOHANNESBURG

CONTINUING DIFFICULT trading conditions hampered the performance of Romatex, the major South African textiles and floor coverings company, in the year to September 30. Turnover dropped slightly to R368m (\$312m) from R368m, but considerably higher margins led to a fall in trading income to R32.5m from R50.3m.

The directors say that problems encountered in the first half of the financial year continued to affect operations in the second half. Recessionary conditions reduced de-

mand and led to de-stocking by customers, while increased imports heightened competition in the textiles market.

The floor coverings operations were affected by similar conditions and the board sees no prospect of an early recovery.

The dividend total has been cut to 34 cents a share from 56 cents, while earnings per share dropped to 68.1 cents from 107.5 cents. Romatex is a 57 per cent-owned subsidiary of C. G. Smith, which in turn is 66 per cent-owned by Barlow Rand.

Hong Kong insurance foray by Aetna Life

BY WILLIAM HALL IN NEW YORK

AETNA LIFE and Casualty, the largest investor-owned insurance company in the U.S. is joining forces with the Hong Kong-based Bank of East Asia to market life insurance in the British colony.

Aetna and Bank of East Asia have formed a Bermuda-based partnership, East Asia Aetna Insurance (Bermuda), which will sell insurance products primarily in Hong Kong. Bank of East Asia and Aetna International will equally own the venture which will have an initial

capital of HK\$50m (\$8.4m). Operations are expected to begin next year.

"Hong Kong has proved to be one of the best markets for life insurance in the Pacific Basin, and we are confident too about Hong Kong's economic growth," said Mr Kenneth Veit, vice president of International Insurance at Aetna. The insurance products will be sold through independent insurance brokers and agents in Hong Kong and the Bank of East Asia's 45 branch offices.

Oki Electric boosts profits in first half

By Our Tokyo Correspondent

OKI ELECTRIC INDUSTRY lifted pre-tax profits by 24 per cent to ¥4,250m (\$18.2m) in the half year to September 30 on sales of ¥132.7bn up by 14 per cent. Net profits were 30 per cent higher at ¥23m and net profits per share advanced to ¥4.60 from ¥3.94.

Sales of electronic communication systems fell by 13 per cent to account for 22 per cent of the total, but data processing equipment sales rose by 21 per cent to account for 55 per cent, helped by strong sales of printers (up 61 per cent) and facsimile machines. With vigorous sales of semiconductors, turnover of electronic parts advanced by 36 per cent to account for 21 per cent of the total.

Saudi shipping group opens Far East route

BY A CORRESPONDENT IN RIYADH

THE NATIONAL Shipping Company of Saudi Arabia (NSCA) has recently taken delivery of the last of four large roll-on-roll-off (Ro-Ro) freighters and will open a Far East route later this year.

The new ship, the Saudi Tabouk, enables NSCA to move into phase two of its expansion programme. Its goal is to service Saudi Arabia's three main trading partners: Europe, the U.S. and Japan.

The first liner service was established with the U.S. in 1978. The new line will stop at Singapore, Hong Kong, Taiwan, Korea and Japan. The European service is scheduled to begin next year.

The company started shipping with two used 23,000 gross tonnes Ro-Ro vessels renamed the Saudi

Riyadh and Saudi Makkah. Each ship carries 1,250 standard 20 ft cargo containers.

NSCA ordered four 42,000 dwt vessels from Kockums of Sweden. The ships were named Saudi Abha, Saudi Hofuf and Saudi Daryah, after Saudi towns. Each vessel can carry 2,050 containers and over 700 cars.

Even as it opens its eastern route, NSCA is working to trim its North American sailing time from 17 to 15 or fewer days. Marginal ports such as Halifax, Canada, will either be abandoned or visited less frequently.

The Saudi Tabouk was a modified version of her sister ships. The other vessels carry 12 officers, 19 rated sailors and eight cadets.

Ceat signs technology agreement

By R. C. Murthy in Bombay

CEAT TYRES of India, one of the country's top three tyre companies, has turned to Japan for updating its tyre technology. Ceat has signed a technical agreement with Yokohama Rubber for assistance in developing radial tyres suitable to Indian road conditions.

Ceat is the first Indian tyre company to move away from Western technology. The company was set up more than 20 years as a subsidiary of Ceat of Switzerland. However, the Swiss company sold its equity stake last year to the Calcutta-based Duncun Group.

Competition among Indian tyre companies is strong, with Dunlop India and the Modi group setting the pace.

NEW ISSUE

These Notes having been sold, this announcement appears as a matter of record only.

NOVEMBER 1983

U.S. \$75,000,000



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(Montreal Urban Community)
(Canada)

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Bank Leumi le Israel Group	Bank Mees & Hope NV	Bankhaus Gebrüder Bethmann	
Banque Bruxelles Lambert S.A.	Banque Générale de Luxembourg S.A.	Banque Internationale à Luxembourg	
Banque Nationale de Paris	Banque Paribas	Banque Populaire Suisse S.A. Luxembourg	
Baring Brothers & Co., Limited	Bayerische Hypotheken- und Wechsel-Bank	Bergan Bank A/S	
Berliner Handels- und Frankfurter Bank	CIBC Limited	Citicorp Capital Markets Group	
Compagnie de Banque et d'Investissements, CBI	Copenhagen Handelsbank A/S	Crédit Lyonnais	Crédit du Nord
Creditanstalt-Bankverein	Daiwa Europe	Deutsche Girozentrale	Dresdner Bank
Drexel Burnham Lambert Inc.	Effectenbank-Warburg	Euskalduna Enkilda Limited	First Chicago
Fuji International Finance	Girozentrale und Bank der österreichischen Sparkassen	Hambros Bank	
Handelsbank N W (Overseas) Ltd	Hessische Landesbank	E. F. Hutton International Inc.	
IBJ International	Kidder, Peabody International	Kredietbank N.V.	Lloyds Bank International
LTCB International	McLeod Young Weir International	Midland Doherty	Mitsubishi Finance International
Mitsubishi Trust & Banking Corporation (Europe) S.A.	Morgan Guaranty Ltd	The Nikko Securities Co., (Europe) Ltd.	
Nomura International	Norddeutsche Landesbank	Sal. Oppenheim jr. & Cie.	
Österreichische Länderbank	Pierson, Helderling & Pierson N.V.	Prudential-Bache Securities	
N. M. Rothschild & Sons	J. Henry Schroder Wagg & Co.	Smith Barney, Harris Upham & Co.	
Société Générale	Sumitomo Trust International	Svenska Handelsbanken Group	Verelins- und Westbank
M. M. Warburg-Brinckmann, Wirtz & Co.	Westdeutsche Landesbank	Yamaichi International (Europe)	

All of these Warrants have been offered outside the United States, and may not at any time be offered or sold to citizens or residents of the United States. This announcement appears as a matter of record only.

New Issue / October 20, 1983

Phibro-Salomon Inc

100,000 Warrants to Purchase United Kingdom Pounds Sterling
100,000 Warrants to Sell United Kingdom Pounds Sterling

Each Warrant to Purchase United Kingdom Pounds Sterling entitles the holder thereof to purchase 1,000 pounds sterling. Each Warrant to Sell United Kingdom Pounds Sterling entitles the holder thereof to sell 1,000 pounds sterling.

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Commercial Paper Program



Bayerische Landesbank
Girozentrale

New York Branch

Commercial paper rated A-1+ by Standard & Poor's Corporation
and P-1 by Moody's Investors Service, Inc.
DM bonds rated AAA by Standard & Poor's Corporation
and Aaa by Moody's Investors Service, Inc.

The undersigned acts as a Commercial Paper
Dealer for this program.

Lehman Commercial Paper
Incorporated

a wholly owned subsidiary of

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November 1, 1983

This announcement appears as a matter of record only.



National Westminster Bank plc
New York Branch

\$50,000,000

Floating Rate Certificates of Deposit
Due June 13, 1986

Interest on the Certificates of Deposit is computed monthly to
equal .55 per cent above the weighted average of the 91-day
Treasury Bill Auction Rate on a bond equivalent basis set at the
most recent preceding weekly Bill Auction and payable quarterly.

Price 100%

Lehman Brothers Kuhn Loeb
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September, 1983



We are pleased to announce the appointment of

TERRENCE M. FARLEY

as Managing Partner

succeeding

JOHN B. MADDEN

BROWN BROTHERS HARRIMAN & CO.

New York Boston Philadelphia Chicago
St. Louis Los Angeles Dallas Naples
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IDB INTERNATIONAL N.V.
U.S. \$50,000,000

Guaranteed Floating Rate Notes 1986
Unconditionally and irrevocably guaranteed as to
payment of principal and interest by

ISRAEL DISCOUNT BANK LIMITED

For the three months
31st October 1983 to 31st January 1984
the Notes will carry an

interest rate of 9 1/4% per annum.
The relevant Interest Payment Date will be
31st January 1984

Bankers Trust Company, London
Fiscal Agent

INTL. COMPANIES & FINANCE

Nicholas Hirst reports on the dizzy progress of Canada's major stock market

Busy days for Toronto brokers

THE TORONTO stock market has celebrated this year's move to a new trading floor with share prices rising strongly and dealing volume heading for the record books.

When the Toronto Composite index hit its 1983 peak of 2598.2 at the end of September it was a full 30 per cent ahead of the January levels, and very nearly double the levels of 1982, the low point in the current trading cycle.

At the moment share prices are 9 per cent below their best for the year. Company profits are rapidly improving, but on an historic earnings multiple of around 25, the market has plainly reached the point where a pause for breath is not out of place.

"It's wait and see time," says Mr. Bob Dorrance, market strategist with Nesbitt Thomson Bingham, Toronto stock broker. Essentially the market is waiting to see a sharp increase in corporate earnings. The rise in the market last year was fuelled by expectation that a recovery in the U.S. would, as in the past, act as the driving force to drag the closely-linked and more depressed resources-based Canadian economy out of recession.

Company profits this year could well show a recovery of around 80 per cent from the depressed levels of 1982. And with the mining and energy groups leading the way, they are generally expected to make a further strong progress in

1984. The Canadian economy grew at 7.5 per cent, quarter on quarter, in the first and second quarters, but it is still 3 per cent below the peak before the recession set in. Corporate profits have been rising, but retained earnings, according to the Royal Bank of Canada, in the second quarter were still lower than in the third quarter of 1979.

"We are not yet in the second stage of a bull market—when it is driven by actual rise in earnings rather than loss elimination," says Mr. Subodh Kumar, market strategist with broker Wood Gundy.

The question is: when will loss elimination end and real recovery in earnings take over? On this, analysts are far from agreed, some believing that improved third-quarter earnings will be the spur to get the index moving up again, others that company results will not be strong enough to push the market out of its current range until early 1984.

After gold stocks, which have taken a beating recently, the best performers since the market took off last year have been the metal and mining sectors, closely followed by industrial products and management companies such as Brascan, which are themselves heavily invested in resources industries.

It is these sectors which were hardest hit by the recession and where potential for loss elimination is the greatest. Inco,

still at the stage of reducing its losses, has seen its shares rise from a low of C\$9 to a high of C\$23; before falling back below C\$20. Alcan, whose earnings this year will be depressed but are expected to rise sharply next year have benefited from a rising aluminium price, while Cominco with similarly depressed earnings, has responded to a rise in zinc.

The signs are that investors are becoming more selective: "Clients are now saying, if you want me to buy, tell me what you want me to sell," says Mr. Kumar.

That attitude is a direct reflection of the speed with which the market has risen. In 1983 the Canadian market had been outpaced internationally by Australia and Mexico, but it is still in fourth place, over the 15 months since the middle of last year.

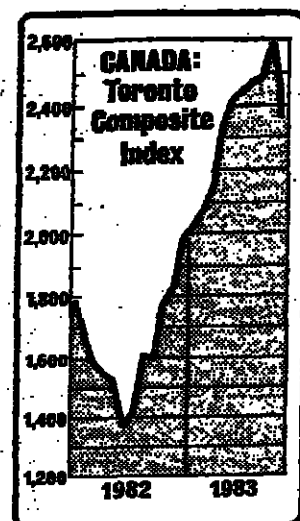
Institutional cash has been run down from an estimated 18 1/2 per cent of portfolio values in June 1982 to 6.3 per cent at the end of the second quarter, while their equity positions have expanded from 32 per cent to 48 per cent. Institutions account for roughly half the market.

In the first nine months of this year the market has seen the issue of between C\$5bn (U.S.\$4.1bn) and C\$6bn (U.S.\$4.9bn) of new equity, almost double the previous record notched up in 1981. Some of the biggest issues, such as the C\$336m raised by Bell Canada Enterprises, have

spread the funding outside Canada. But the impact on the local stock market remains substantial. Shell Canada, for instance, has recently announced a public issue of C\$62m, the first time it has tapped Canadian equity for 20 years. There is growing evidence of renewed interest in the Canadian market by European and American investors. Canadian stockbrokers have been making successful selling sorties on mining stocks to Europe recently, and American buying of Bell, as a backdoor into its highly successful high-tech subsidiary, Northern Telecom, made Bell one of the strongest performers of the third quarter.

"We believe the international investor will be coming back to Canada in a fairly major way," says Mr. John Eide of Merrill Lynch Canada. In Canada's favour, the Toronto broker says, is a currency which, backed by a strong balance of payments position, and a relatively low and stable inflation, should strengthen against the American dollar.

As the market has risen, investors have oscillated between going for companies that benefit from falling inflation, such as banks, and potential recovery stocks. In the third quarter the metals sector was outpaced, surprisingly perhaps by utility companies. There were sharp rises in the management companies, and the high-tech sector did exceptionally well.



But earnings remain the key. With copper and nickel prices having bounced up and down again, the recovery for companies such as Inco and Noranda may be delayed longer than had originally been hoped.

Most analysts have shaded their corporate earnings forecast for this year and next. But even so estimates of corporate earnings gains start at 40 per cent for next year, which, especially for the non-cyclical Canadian stocks, will reflect real growth.

The Royal Bank of Canada is forecasting gross national product growth of 4.7 per cent next year and, although some other forecasts are lower, most brokers believe that the recovery is sufficiently strong to propel the Toronto index to 3,300 by the end of next year.

Agnelli holding company shows advance

By Our Financial Staff

IFIL, the holding company of the Agnelli family which controls the Fiat motor group, posted net profits of L14.8m (\$9.3m) for the year ended June 1983, compared with L12.5m a year earlier.

The company assembly, approved distribution of L100 to each preferred share and L50 to each ordinary share at a total cost of L3.85m. Sig Gianni Agnelli, chairman of IFIL and Fiat, said that stagnation in the Italian economy was the result of too much public expenditure and high labour costs.

BASF plans higher spending in Asia

By R. C. Murthy

BASF, one of the big three German chemicals groups, proposes to revise its overseas investment strategy with reduced emphasis on Latin America. The company will invest more in Asia, particularly in South Korea, Indonesia and India, the company says.

Capital expenditure of BASF in 1983 is projected at DM1.8bn (\$694m), about 10 per cent below the 1982 figure. A revival in investment during 1984 is foreseen. The shift in investment strategy has become necessary following slow-down in Latin American economies. Brazil, Argentina and Mexico have problems in external debt servicing.

In Brazil, BASF operates 15 plants, with sales of DM1.3bn. South Korea is on top of BASF's investment plans for Asia, as it is one of the fast growing markets. Turnover of BASF's South Korean subsidiary are projected to exceed DM200m this year.

RWE to invest DM 8bn

By Our Financial Staff

RWE, the West German electricity utility, plans investment totalling around DM 8bn (\$3.04bn) in connection with pollution regulation.

RWE will spend around DM 5bn on two new 1200 megawatt coal power stations and about DM 3bn on equipping existing coal-fired stations with desulphurisation plants.

The MW 2400 new capacity will replace existing coal-fired plants of around 2200 capacity which RWE will close.

The new stations still have to be approved by the North Rhine-Westphalia state government, but RWE said the minister responsible has agreed to speed up application processing.

Earnings boost at West World

By Our Financial Staff

WEST WORLD Holding, the U.S. company which is part of the Wereldhave property group of Holland, reports strong rise in earnings for the first nine months of 1983.

The group, which expects to book good results for the remainder of this year, says net results for the nine months improved by 35 per cent to \$11m. Per share earnings rose to \$103.5 from \$78.

Shipping and steel losses hit Axel Johnson results

BY DAVID BROWN IN STOCKHOLM

AXEL JOHNSON, the group which represents Sweden's third largest trading and industrial empire, reports lower pre-tax results for the first eight months of 1983.

Nordstjernan, one of the main companies in the group, with interests in shipping, special steels and engineering, showed a pre-tax loss of SKr 48m (\$6.1m) compared with a loss of SKr 40m at the same time last year, on turnover 6 per cent higher at SKr 7.1bn.

Operating profit climbed from SKr 47m to SKr 111m. Ship sales brought in SKr 2m. Net financial costs, at SKr 190m, slightly lower than last year, brought the result SKr 77m into the red, but the company posted an extraordinary gain of SKr 28m as a result of share transactions. The company predicts its year-

end result will be "somewhat better" than the eight-month figures.

A. Johnson, the other large unit in the group, is split between a U.S. and a separate Swedish operation. The Swedish operation, which trades in oil, coal, special steels, metals, chemicals and machinery, has more than 30 countries, had operating profits of SKr 119m, compared with SKr 78m.

Its pre-tax profit for the eight months was SKr 8.2m down from SKr 27.4m. Sales were up 45 per cent to SKr 4.7bn with the improvement attributed mainly to oil trading activities.

The U.S. arm, which trades in oil, stainless steel, metals, and engineering products, as well as shipping, had a pre-tax loss of SKr 28m, compared with a profit of SKr 6m, on turnover 60 per cent higher at SKr 4.9bn.

Norway chemicals group taps market for Nkr 50m

BY FAY GJETER IN OSLO

SECURUS, the Norwegian chemicals group created recently, has raised Nkr 50m (\$8.7m) through a private placing of 250,000 shares, at Nkr 200 each.

Many were bought by UK institutional investors. The new company will be listed on the Oslo bourse from tomorrow.

The issue brings Securus total capital to Nkr 11.8m. The company, itself a subsidiary of Securum Industria, holds a stake of about 72 per cent in Protan, a fast-growing Norwegian company which claims to be the world's second largest individual producer of alginates.

These are chemicals, derived from seaweed and kelp, which are widely used in a number of industries, particularly food and pharmaceuticals. Protan's share of the world market is 18 per cent. Protan also makes other seaweed and kelp products, and plastics.

With the help of the fresh capital, Securus stands to expand its activities into new markets and new product areas, following up the investment of Protan. The latest achieved first half 1983 sales of Nkr 123.1m, compared with Nkr 205.7m for the 12 months of 1982.

Elektrisk Bureau (EB), the Norwegian producer of electronic and telecommunications equipment, maintained just about unchanged profits in January-August this year, despite a 23 per cent rise in operating income to Nkr 1.318m, compared with the first eight months of 1982.

Profits before extraordinary items were Nkr 57m, against Nkr 51m, but for the year as a whole are expected to reach Nkr 141m—Nkr 5m more than last year.

Dutch insurers take out new life policy

BY WALTER ELLIS IN AMSTERDAM

NEXT MONTH sees the birth of an important new force on the world insurance market. On December 1, Ennia and AGO Holding, already two of the largest Dutch insurance groups, begin trading as a single entity under the new name, Aegon.

Joint operating profits this year are expected to exceed Fl 8bn (\$2.7bn), making Aegon No. 2 in the Netherlands to Nationale Nederlanden, but putting the group among the top 15 insurers in Western Europe.

The official reason for the merger is that the companies

wanted to "strengthen our position in the Dutch insurance market through closer and more extensive collaboration with professional insurance agents."

The increase in scale of operations is a response to the already apparent trend among independent agents to concentrate their business with a limited number of large companies. Ennia and AGO now expect that their Dutch strategy will lead to improved penetration of the insurance agent business, resulting in greater market share for Aegon.

What is perhaps surprising here is the emphasis placed on Dutch domestic business. In recent years, the bigger Dutch insurers have been trumpet-blowing about their rapid expansion abroad. Now, it seems, there is a need to make certain that all is well in the backyard.

But if the home scene is no longer taken for granted, Aegon remains careful to point out that the merger provides "a broader base for international expansion." The two merged companies have well-distributed foreign activities with substantial interests in the U.S.,

Canada, the UK, Spain, and Belgium. They also have representatives in the Caribbean, the Middle East, and Switzerland, and an interest in Singapore.

From a technical standpoint, the merger leaves AGO shareholders controlling around 45 per cent of the merged group's equity capital of close to Fl 450m. The Aegon foundation will be the sole shareholder in AGO Holding and will control a majority of the votes while Aegon NV will embrace all Ennia and AGO interests at home and abroad.

NORTH AMERICAN QUARTERLY RESULTS

AMF				GENERAL PUBLIC UTILITIES				PHOENIX STEEL				TEXAS UTILITIES			
Third quarter	1983	1982		Third quarter	1983	1982		Third quarter	1983	1982		Third quarter	1983	1982	
Revenue	243.77m	252.20m	\$	Revenue	642.8m	605m	\$	Revenue	25.7m	22.5m	\$	Revenue	1,140m	1,000m	\$
Net profit	0.14m	0.35m	\$	Net profit	25.5m	25m	\$	Net profit	14.1m	12.0m	\$	Net profit	188.0m	174.8m	\$
Net per share	0.01	0.16		Net per share	0.42	0.24		Net per share	0.71	1.13		Net per share	1.28	1.25	
Five months				Five months	127m	1.8m		Five months	62m	121m		Five months	3,300m	5,180m	
Profit				Profit	45m	22.1m		Profit	118.2m	16.7m		Profit	437.2m	417.7m	
Per share				Per share	0.74	0.33		Per share	12.15	14.88		Per share	3.77	3.83	
BURLINGTON INDUSTRIES				INTERNATIONAL FLAVORS				REPUBLIC AIRLINES				THREE-SERVICES			
Fourth quarter	1983-82	1981-82		Third quarter	1983	1982		Third quarter	1983	1982		Third quarter	1983	1982	
Revenue	788.9m	877m	\$	Revenue	116.5m	110.2m	\$	Revenue	392.5m	397.2m	\$	Revenue	677m	620.2m	\$
Net profit	32.94m	8.71m	\$	Net profit	17.5m	15.5m	\$	Net profit	112.2m	15.8m	\$	Net profit	45.3m	32.8m	\$
Net per share	1.15	0.28		Net per share	0.47	0.44		Net per share	16.44	10.21		Net per share	1.32	0.98	
Year				Revenue	363.4m	352.7m		Five months	76.44	70.21		Revenue	1,80m	1,670m	
Revenue	2,550m	2,800m	\$	Net profit	55.44m	53.82m	\$	Revenue	1,790m	1,180m	\$	Net profit	177.8m	88.1m	\$
Net profit	81.40m	52.40m	\$	Net per share	1.55	1.47		Net profit	171.5m	112.5m	\$	Net profit	5.43	2.25	\$
Net per share	3.18	1.88						Per share	14.81	10.88		Per share	5.43	2.25	
CLARK EQUIPMENT				KERN-ROCKE				ST PAUL COMPANIES				THOMSON			
Third quarter	1983	1982		Third quarter	1983	1982		Third quarter	1983	1982		Third quarter	1983	1982	
Revenue	211.3m	213.7m	\$	Revenue	5m	95m	\$	Revenue	5m	5m	\$	Revenue	226.1m	211.2m	\$
Net profit	3.5m	100.44m	\$	Net profit	36.7m	58.7m	\$	Revenue	58.8m	54.2m	\$	Net profit	15.25m	12.5m	\$
Net per share	0.24	12.85		Net per share	0.75	1.08		Net profit	14.58m	32.21m	\$	Net per share	14.54	14.18	\$
Five months				Five months				Five months	0.68	2.44		Revenue	582.3m	625.5m	\$
Revenue	622.5m	603.7m	\$	Revenue	2,350m	2,700m	\$	Net profit	1,710m	1,180m	\$	Net profit	15,150m	11,500m	\$
Net profit	4.05m	100.51m	\$	Net profit	101.3m	138.2m	\$	Net profit	122.11m	123.07m	\$	Net profit	10.45	1.02	\$
Net per share	0.28	12.85		Net per share	1.51	2.28		Per share	5.71	5.85		Per share	10.45	1.02	
Per share															
R. H. DONNELLEY & SONS				MASCOT				SUPERIOR OIL				VIACTION INTERNATIONAL			
Third quarter	1983	1982		Third quarter	1983	1982		Third quarter	1983	1982		Third quarter	1983	1982	
Revenue	411.4m	351m	\$	Revenue	208m	204m	\$	Revenue	488.7m	490.2m	\$	Revenue	73.7m	70.3m	\$
Net profit	33.71m	28.43m	\$	Net profit	28.8m	22.3m	\$	Net profit	177.8m	55.5m	\$	Net profit	4.2m	8.8m	\$
Net per share	0.98	0.77		Net per share	0.53	0.45		Net per share	0.93	0.30		Net per share	0.32	0.64	
Five months				Five months				Five months	0.93	0.30		Revenue	262.8m	204.1m	\$
Revenue	1,100m	1,020m	\$	Revenue	78m	63m	\$	Revenue	1,790m	1,180m	\$	Net profit	15.15m	11.50m	\$
Net profit	70.50m	61.00m	\$	Revenue	70.4m	70.4m	\$	Net profit	178m	189.4m	\$	Net per share	0.99	1.39	\$
Net per share	2.03	1.81		Net per share	1.90	1.38		Per share	1.40	1.57		Per share	0.99	1.39	
MONTAIR				PENNZCOIL				TEXAS EASTERN				VANIAN ASSOCIATES			
Third quarter	1983	1982		Third quarter	1983	1982		Third quarter	1983	1982		Third quarter	1983	1982	
Revenue	480.7m	411.3m	\$	Revenue	657.2m	583.8m	\$	Revenue	1.3m	1.52m	\$	Revenue	219.5m	179.5m	\$
Net profit	16.6m	10.5m	\$	Net profit	36.02m	53.5m	\$	Net profit	35.0m	45.3m	\$	Net profit	14.1m	9.5m	\$
Net per share	0.30	0.05		Net per share	0.68	1.00		Net per share	2.16	1.68		Net per share	0.94	0.60	
Five months				Five months				Five months				Five months			
Revenue	1,340m	1,220m	\$	Revenue	1,710m	1,740m	\$	Revenue	5,520m	5,530m	\$	Revenue	702.2m	691.2m	\$
Net profit	24.50m	15.70m	\$	Net profit	100.50m	138.2m	\$	Net profit	126.2m	126.2m	\$	Net profit	44.1m	28.5m	\$
Net per share	1.32	0.74		Net per share	2.01	2.64		Net per share	2.33	8.12		Net per share	25.6m	25.5m	\$
Per share															

UK COMPANY NEWS

UK growth pushes Reed up to £39m

WITH THE main growth in profit arising in the UK, despite a lack of buoyancy in nearly all markets, second quarter profits of paper, printing, publishing group Reed International virtually doubled from £2.7m to £13.8m and lifted the figure for the six months ended October 2 1983 to £39.2m, compared with £26.1m.

First half earnings per £1 share were well up at 22.3p (12.5p) and partly to reduce disparity the interim dividend is increased to 5p (4p)—last year's final distribution was 10p and the taxable surplus amounted to £60.9m (£71.6m).

Brands and publication titles include Crown (pamphlets and booklets), Polycell (DIY products), and the Mirror Group Newspapers. As reported on October 13 the directors intend to realise the whole of the company's investment in Mirror during the first half of 1984.

Second quarter group turnover advanced from £429.5m to £433.2m and pushed the six months' figure to just under the £1bn mark at £979.5m (£965.5m). The contribution from the UK

HIGHLIGHTS

Lex briefly comments on the state of the gold price before turning to the corporate sector where Reed International reported its half year figures yesterday showing pre-tax profits up from £26.1m to £39.2m. Bower is negotiating to sell one of its two Canadian newspaper mills together with 41m acres of trees which will remove losses of perhaps \$12m this year but result in a book loss. Finally Lex looks at the latest figures from Nissan, Japan's second largest car manufacturer. The group reported a fall of a third in the six months to September at parent company level and is expecting full year profits to be well down due to higher marketing costs and the absence of exchange gains.

side and exports totalled £719.4m, against £652.8m, the overseas sector the remainder. Reed Publishing benefited from acquisitions, notably Industrial and Trade Fairs and the Update Group. Consumer publishing also gained following the disposal in December 1982 of Odhams (Watford). With major rationalisation completed, the decorative products sector returned to a small profit after several years of heavy losses.

Building products division continued to perform well in high competitive markets, directors state. Overseas profits reflect improved North American results from publishing and the elimination of losses in decorative products. The directors explain that these gains were largely offset by reduced profits at the Quebec mill where North American newspaper prices have only recently been restored to the

levels ruling before August 1982. During the half year, Fischer Medical Inc. (publishing) and Roman Adhesives Inc. (DIY products) in the U.S. were acquired for some £3m.

There was an associate's share of losses of £0.4m (£1.1m profits) for the six months making the operating profit £49.3m, compared with £34.2m. The overseas side went ahead from £11.1m to £13.2m, but the UK sector jumped by £19m to £36.1m.

Profits were after interest charges, up from £8.1m to £10.1m, and were subject to tax of £12.5m (£10.8m)—the UK figure was £9.3m (£7.2m).

Minority interests took £0.1m last time and after preference payments of £0.1m (same), the attributable balance came through at £28.3m, compared with £11.1m. Some £1.5m (£4.5m) was charged for minor rationalisation costs. On a CCA basis the pre-tax figure is reduced to £23.5m (£10m) and earnings per share 9p (0.8p loss). See Lex

Full SE listing for A & G Security

SECOND-HALF pre-tax profits of A & G Security Electronics increased from £327,000 to £401,000 and left the figures for the year ended July 31 1983 ahead at £747,000, against £566,000. Turnover advanced from £1.53m to £2.47m.

Directors say that in view of the significant growth since the electronic burglar alarm equipment maker came to the UK, application is currently being made for admission to the Stock Exchange Official List.

After a much larger tax charge of £72,000 (£305,000) earnings per 5p share expanded from £2.7p to 13.03p. Net assets have jumped to £3.7m. The dividend is lifted to 2p (1.75p) net with a final payment of 1.75p. A one-for-one scrip issue is also proposed.

The directors say that an expansion in production capacity was necessary, because of internal growth and the acquisition of Cars of Burnley—Buroc Dean last June for £1.4m. As a result, freehold premises were purchased in Burnley to provide 2,000 sq ft of additional manufacturing, storage and office accommodation.

As an aid to productivity, A & G continue to increase the level of automation involved in the production process. Acquisitions continue to provide opportunities for growth, the directors say, and are being actively sought. The board expects further growth.

After expenses of £415,000, including £200,000 of exceptional costs, £22,000 (nil), operating profits amounted to £681,000 (£508,000). Pre-tax figure for the 12 months included interest received and similar income of £85,000 (£57,000).

Mr McNamara wants to be leader in the band of electrical security equipment manufacturers. Getting A & G on the USM two years ago gave him highly rated papers, but he says he is unlikely to waste when he moves the company up to the full market early next year. In the past six months he has bought Cars and Codes and within a few days he will be making another acquisition, this time a company driven into the hands of the receiver by an American state, D. programme.

Acquisitions aside the original business is rolling up impressive profits growth. After exceptional costs Carter has made little impact on the profits, though below the line its 51p of tax losses, which A & G will spread over five years, has boosted earnings. So the 199 per cent profit jump is virtually on a comparable basis and there appears to be no slowdown. In the first quarter sales have hit £1.1m, against £850,000. Plans for the new companies the traditional A & G operation has roughly doubled its turnover—and this is the season's weak first half. The historic p/e of 20 at 260p drops substantially on a forward view. Given the rapid growth that the whole industry is enjoying the shares can only be labelled as attractive.

Flight Refuelling ahead and on course for £5m

EXCLUDING results of recently acquired Huntleigh and the Hy-matic group, Flight Refuelling (Holdings) has posted taxable profits up from £1.82m to £2.52m for the first six months of 1983, and is on course to achieve, for the full year, the "not less than 25m" forecast at the time of the Huntleigh offer.

Business prospects for the group remain favourable and directors say that the outlook for 1984 is good. They also believe that the Hy-matic companies will achieve their forecast of £2.3m.

First-half earnings per 25p share were 5.3p (3.85p) and the interim dividend is effectively raised to 0.9p (0.75p) net. Directors have forecast a 2.5p total distribution compared with an adjusted 2.01p paid from pre-tax profits of £3.75m.

Turnover of this manufacturer of specialised equipment for the aircraft energy and electronics industries, for the six months moved ahead by 15 per cent to £14.6m (£12.71m) and trading profits expanded from £1.85m to £2.57m, a 39 per cent advance. Associate's share added £4,000 (£3,000) and the pre-tax figure was after a £55,000 (£37,000) provision for the share incentive scheme.

Tax charge took £760,000, against £531,000 leaving a net surplus up from £1.29m to £1.76m.

● comment Flight Refuelling has taken a demanding growth path through the difficult aerospace sector. It appears to have taken Hy-matic

on board without interrupting its smooth progress and, assuming a four month contribution of around £800,000 from Hy-matic, the group should make £8.5m pre-tax for the full year. The two business dovetail well. The £225m aircraft attack system project is under production, to be followed by a major Tornado fuel tank project, while Hy-matic's stored energy business holds excellent prospects. With order books yet to reach optimum levels, Flight Refuelling has meanwhile managed to boost margins from 14 per cent to 17 per cent. On a tax charge of around 20 per cent the prospective PE is a demanding 19 for the shares which closed up 14p at 207p; but it's a rating which, generally, analysts feel it deserves.

Signs of increased activity at Martonair

SECOND-HALF pre-tax profits at Martonair International improved from £2.34m to £2.44m, and figures for the full year to July 31 1983 were up from £4.16m to £4.37m.

The directors of this manufacturer of pneumatic control equipment say that although the company has not yet experienced any significant increase in demand, there are signs of increased activity in some of the company's more important markets. They expect this to be reflected in the second half of the current financial year. The net final dividend is raised from 6.05p to 6.55p for an increased total of 8.5p (8p).

Group turnover for the year under review rose from £39.44m to £41.89m.

After tax of £1.78m (£1.96m), attributable profits were £2.5m against £2.2m. Earnings per 20p share were 2p higher at 19p.

● comment Martonair has over a quarter of the UK market in pneumatic

control equipment. In continuing full trading conditions, it has managed to add a couple of percentage points to its share but lost a similar amount overseas, thus attributing the increase in profits to a price increase of around 9 per cent rather than a noticeable improvement in volume. With a relatively short order book of around six weeks it cannot look too far ahead, but is mildly encouraged by increased market activity which is expected to filter through to Martonair's bottom line by the

end of the current financial year. Exchange fluctuations have swung back in Martonair's favour to the tune of a modest £150,000. The UK, Germany and Denmark look the most promising areas while France is still struggling with margins against its nationalised competition. A static first half is expected followed by an improvement in the second half to around £4.7m pre-tax which puts the shares up 4p to 236p on an actual 41 per cent tax charge p/e of around 11.

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Fasteners loss hits Prestwich

A £152,658 loss at Prestwich Parker Holdings volume unit and bolt manufacturing subsidiary wiped out profits from other divisions, and overall the group finished the year £6,206 in the red at the pre-tax level against a £14,798 profit.

Further, a £250,000 provision for planned remedial action at the subsidiary Prestwich Parker (Fasteners) was mainly responsible for the increase in the group's attributable deficit from £55,740 to £233,722.

"It would not be in the interests of either shareholders or employees to allow this situation to continue," the directors say.

They add: "A detailed review is being carried out to determine the exact scope of remedial action required."

An announcement concerning the future of the subsidiary is expected on Thursday following a meeting between the Prestwich board and the workers.

Since the year end, two key acquisitions have been made by the Scottish subsidiary, Potter Cowan, a distributor of a range of British-made clothing, protective clothing, safety related products and industrial rubber hoses.

The company also acquired the assets of Waugh of Hamilton, in September. It distributes protective clothing and leisurewear which complements and extends the range of Potter Cowan's Glasgow operation.

In August, Pemberton Fasteners was acquired from the receiver and has been reorganised. It now trades under the name of Pemberton Industrial Supplies, operating from Manchester, and now distributes industrial fasteners, engineering supplies, protective clothing and other products under the Pemberton trademark.

The full benefit of these three acquisitions is more likely to be felt in the second half of the current year due to the cost of reorganisation and relocation.

For the year under review tax took £25,602 (credit £20,964) giving a net loss of £31,508 (profit £28,740). A profit of almost 10 per cent more shares into a fairly weak market.

The placing went "reasonably well" according to Ian Watts of de Zeete with the shares going to a broad range of UK institutions. As well as the shares Tricentrol will pay over around £400,000 in cash.

Tricentrol placing funds £14m N. Sea acquisition

Tricentrol placed 8m shares at 172p yesterday to part finance the £14m acquisition of two Norwegian subsidiaries announced last week. The purchase substantially increases Tricentrol's exposure to the North Sea.

Plans for a placing were put on ice last week because of a slide in the share price. When the group initially placed together the acquisition and a share placing was an obvious option to pay for it the share price has been around 200p.

By the time Tricentrol had

come down firmly in favour of an equity placing, the market price was down to 154p. A discount of 12p was described by the brokers de Zeete and Bevan as fairly "tight" given that Tricentrol was issuing almost 10 per cent more shares into a fairly weak market.

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Schroder Assurance growth

RECORD SALES of investment products in the year to October 31 1983, was recorded by Schroder Assurance Investment Holdings, the financial services arm of Schroders.

Unit trust sales, both authorised and offshore, were buoyant during the year rising 157 per cent from £37m to £95m. The UK unit trust industry is enjoying unprecedented boom conditions, but Schroder Assurance and investment did even better.

Sales of authorised unit trusts climbed 150 per cent from £24m to £68m, the group's market share rising from 3 per cent to just under 4 per cent.

This growth was achieved even though only one new, and not outstandingly successful, fund was launched during the period. A substantial proportion of the money was invested overseas, in the American, Japanese and, somewhat surprisingly, the Australian funds. The total value of authorised unit trusts under management rose from £231m to £415m.

The Guernsey offshore trusts sold £10m, against £3m in the previous year. New annual premiums on life and pensions business rose 50 per cent from £3.7m to £11.9m, with strong growth in pension sales to £8.8m. New life annual premiums amounted to £5.2m, while the Guernsey off-shore company contributed £1.1m.

Single premiums business from life and pensions almost doubled

during the year from £16.5m to £33m. Life bond sales accounted for £21.1m, with pensions single premiums bringing in another £8.4m. The Guernsey off-shore company recorded £8m of bond sales.

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Clement Clarke prospects looking 'more promising'

FIRST HALF 1983 taxable profits of dispensing optician, Clement Clarke (Holdings) increased from £714,000 to £851,000, on turnover of £8.22m against £7.37m. On present trends, second-half results look more promising, the directors say.

The optical retail sector shows increased demand and instrument sales continue to advance. The U.S. subsidiary has been relocated in a new factory, thus enabling management to fully implement its plans for projected growth. Final results are expected to confirm their usual steady growth.

After tax of £382,000 (£299,000) net profits were ahead from £415,000 to £449,000. Earnings per 25p share rose from an adjusted 5.19p to 5.61p and the net interim dividend is effectively increased to 1.3125p (adjusted to 1.15p)—the year's total payment was equivalent to 3.5p on £2.79m pre-tax profits.

The retail optical sector continues to expand at a lower than normal demand, with modest sales increases. The recently agreed increase in NHS fees has gone some way to mitigate the shortfall in profitability.

Further arrears of fees relating to previous years have now been received amounting to approximately £400,000. These arrears have not been included in the interim statement, but the full amount will be included in

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Stothert & Pitt returns to profits at £303,000

A RETURN to profits, before tax, has been shown by Stothert & Pitt for the year to the end of June 1983, which is in line with expectations last March that further progress would be made in the second half. The directors expect more progress to be made in the coming year.

In the second half profits were £499,000, which left the year's result at £303,000 compared with losses of £263,000. The directors say the result was achieved against continued depression in most of the company's market sectors, at home and abroad. The results are also evidence of further progress made in improving operating efficiencies.

The need to reduce borrowings remains a high priority, say the directors, and they do not believe that payment of an ordinary dividend is appropriate. The last payment was a single dividend of 1p in 1980.

Earnings per £1 share of this engineer emerged at 9.7p against losses of 11.2p. Turnover slipped from £28.06m to £27.14m.

Borrowings and interest charges for the period were further reduced by the receipt of an overdue £1.5m from overseas. There were no major disposals.

While the general trading outlook remains depressed, the directors say the prospects for the company's offshore crane business are encouraging.

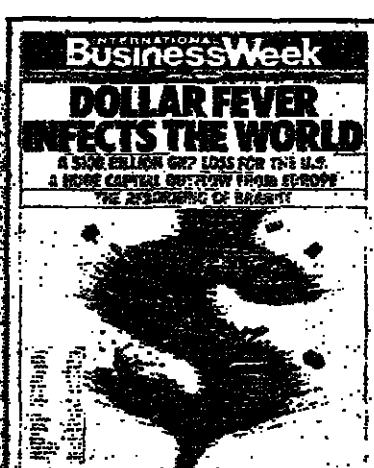
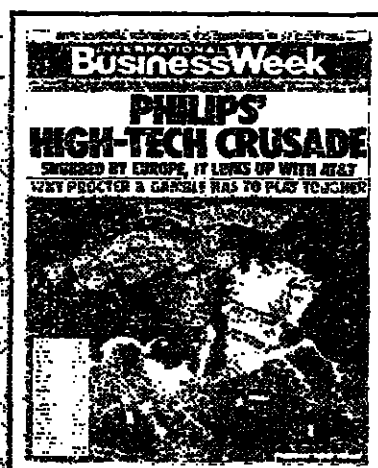
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previously Chief Economist of Ivory & Sime plc has been appointed a Director of

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DIVIDENDS ANNOUNCED				
	Current payment	Date of payment	Corresponding div. year	Total of last year
Aberdeen Trust	0.5	Dec 23	2.8*	4.6
Arbuthnot & Leitch	0.5	Dec 16	0.5	0.5
Atwoods	2.5	Jan 31	2.5	2.5
Brit. Car. & Transp.	2.25	Jan 31	2.5	4.25
Clement Clarke	1.15*	Jan 31	1.15*	3.5*
Flight Refuelling Int.	0.9	Dec 21	0.75*	2.01*
Fundinvest	2.71	—	2.68	4.69
Majestic Invest.	3.3	—	3	3.3
Marlborough Prop. Int.	0.2	Dec 14	—	0.45
Reed Int.	0.55	Jan 10	0.05	8.5
A & G Security	1.18	—	1	2
				1.75

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

§ Increased partly to reduce disparity.

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Over-the-Counter Market

1982-83	Company	Price	Change	Gross Yield	P/E	Fully Paid
High	142 120	126	—	6.4	5.1	7.4
Low	188 117	134	—	10.0	5.1	7.4
76	57 Airspur Group	124	—	6.1	5.1	21.4
21	21 Amlage & Rhodes	27	—	—	—	—
242	283 Barton Hotels	27	+ 1	7.2	3.0	9.7
191	100 CMC 11pc Conv. Pfd	137	—	15.7	11.5	18.7
270	159 Cindelo Group	150	—	17.8	11.7	—
85	46 Debonco Services	57	—	8.0	10.5	—
156	72 Frank Horsell	156	+ 2	—	—	0.6
156	72 Frank Horsell Pst Ord	156	—	—	—	10.3
83	47 Frederick	47	—	7.1	15.1	2.9
32	32 George Blair	32	—	—	—	15.3
100	52 Ideal Precision Castings	100	—	7.9	13.3	19.0
205	100 J. J. & J. J. Co.	105	—	17.1	4.3	5.5
114	47 Jackson Group	105	—	11.6	5.5	11.2
237	111 James Burrage	204	—	20.0	15.0	15.4
250	133 Robert C. Smith	133	—	5.7	5.3	11.2
53	54 Scottions "A"	54	—	—	—	10.4
83	84 Scottions "B"	84	—	—	—	10.4
25	19 Walter & Carlisle	19	—	1.0	5.3	12.4
25	19 United Air Lines	19	—	1.0	5.3	12.4
84	84 Walter Alexander	84	—	—	—	10.4
276	214 W. S. Yates	257	—	17.1	4.0	8.2

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MINING NEWS

Hampton Areas buys into Colorado gold prospects

BY GEORGE MILLING-STANLEY

LONDON'S Hampton Gold Mining Areas is to pay a total of \$10m (£6.7m) to buy into joint ventures which are trying to establish large-scale open-pit gold mining operations in the U.S.

Hampton Areas' partners are Centennial Gold and Marathon Gold, both U.S. companies, which own between 300,000 acres near Craig, Colorado.

Exploration to date indicates the possibility of a number of prospects, each containing more than 1m ounces of gold at average grades between 0.02 oz (0.62 grammes) and 0.06 oz of gold per ton.

The agreement provides for Hampton Areas to pay \$2m and \$2.5m for interests of 50 per cent and 25 per cent respectively in the first two gold operations to be established by Centennial and \$2.5m for 25 per cent of Marathon's first producing property.

Marathon has been treating bulk samples through a 1,000-ton per day processing plant for some months to assess the commercial viability of recovering gold and the associated monazite, a rare-earth ore.

If all goes according to plan, the joint venture proposes to set up three plants, each with a capacity of 10,000 tons of ore per day. Even at the minimum grade of 0.02 oz per ton, this would mean that each of the plants would be producing in the region of 70,000 oz of gold per year.

Likely working costs for an operation of this size would be of the order of \$180 to \$220 per ounce of gold produced.

Hampton Areas' contribution to the joint venture is being financed in part by a placing of 2.5m shares with UK institutions at a price of 180p. The shares dipped 15p to close at that

level in London last night.

The first of the proposed 10,000-ton per day plants could be in place within two years allowing one year to establish the best location and a further year for construction work.

Capital cost would be around \$20m, which the venture proposes to fund through project finance.

The geology of the area is curious, in that the gold occurs as discrete particles in sandy material near the surface. This is crucial to the costs of such a low-grade operation, as no crushing will be required in the treatment process.

The venture is founded on material available between the surface and a depth of about 60 feet, although there is reported to be potential for more ore, albeit of a different geological type, at depth.

Carr Boyd to start gold mining at Harbour Lights in second-half 1985

THE LATTER half of 1985 should see the start of gold mining at Carr Boyd Minerals' Harbour Lights prospect in the Eastern Goldfields of Western Australia. But Carr Boyd's annual report adds that the size of the proposed open-pit operation will depend on the completion of engineering studies.

These are based on preliminary ore reserves estimates which are now being calculated and which are expected to be available before the end of this year. Drilling results so far released, however, suggest that

Harbour Lights will be a sizeable and good grade mine. Water supplies are not expected to be a problem.

The directors say that alternative methods of financing the mine are being considered. It is hoped to avoid calling upon shareholders for development funds.

Carr Boyd's other principal project is the airborne multi-spectral scanner being developed in conjunction with the Commonwealth Scientific and Industrial Research Organisation. It has prospective uses in

studying regional geology and in the fields of mineral exploration, hydrogeology, agriculture and pollution control.

The scanner is expected to be test flown during the current quarter and, if successful, should be available for commercial contracts from Carr Boyd in mid to late 1984.

Carr Boyd shares were 64p yesterday. Earlier this year they were 145p, but with the rest of the gold share market they have been brought down in the wake of the falling gold price.

Newmont has a good third quarter

AMERICA'S Newmont Mining, unlike most North American natural resource groups, has managed to increase 1983 third-quarter earnings over those for the previous three months.

Newmont's third-quarter earnings of \$16.5m follow \$15.52m in the second quarter. They make a total for the first nine months of \$51.4m, or \$1.69 a share, compared with \$31.2m in the same period of last year.

The good earnings progress achieved so far this year is a reflection of increased profits from the gold and coal interests.

The latter were increased in September by a \$17.8m purchase of a further 3.235 per cent of Peabody Holding, raising Newmont's stake in the major U.S.

coal producer to 30.735 per cent. The copper interests, however, continued to perform poorly in the face of low prices and demand. The recent fall in prices of both gold and copper may dampen Newmont's results for the current quarter but the full year's earnings should still be ahead of the 1982 total of \$48.58m.

London's Consolidated Gold Fields—due to hold its annual meeting today—is a major shareholder in Newmont with a stake of 25 per cent.

Amex of the U.S. has announced that discussions with Exxon Minerals Company, part of the big oil group, over the possible purchase by Exxon of

Amex's half share in the Buick lead-zinc mine, lead smelter and related operations in south-eastern Missouri, have been closed.

Amex revealed that talks were under way on the sale of the Buick operations early in October. The other 50 per cent is held by Homestake Mining.

Australia's Tenax Resources has formed a joint venture with Hydromet Mineral Company, a London metallurgical group, to develop and exploit fast and economical process for treating gold ore in areas where fresh water is scarce.

The partners are putting together an experimental plant at Kalgoorlie, Western Australia.

UK COMPANY NEWS

ICI on target for substantial recovery

Mr John Harvey-Jones, chairman of Imperial Chemical Industries, said yesterday that the group was on target for substantial recovery and was firmly committed to profitable growth in the future having identified the business areas and territories it believes have the best prospects.

Talking to American investors at the launch of the company on the New York Stock Exchange, Mr Harvey-Jones added that with America a key growth market for ICI the directors expected to double its U.S. turnover to \$2bn within four years.

Outlining the profit recovery of the company and the significant effort to reduce costs by about \$350m since 1980 he said he expected further growth from businesses such as pharmaceuticals where several new drugs were in the pipeline. He also noted "exciting prospects" for other areas, such as crop protection, where ICI currently spending \$80m a year in worldwide research and development.

The chairman identified significant opportunities for growth within the U.S. in areas such as specialty chemicals.

A new company to market ICI's specialty chemicals has recently been established and its sales are currently running at \$250m a year. Future plans include adding products and businesses as opportunities occur through acquisition and technology.

The product mix of the group's sales has been changing as a result of strategic moves away from capital intensive commodity chemicals towards high-technology higher added value effect chemicals.

Sales of ICI Americas, the group's wholly-owned subsidiary, have grown fivefold since 1972 and currently total more than \$1bn. The subsidiary, the second largest company in the U.S. in polyester film, will shortly open a \$50m extension to its Tennessee, Georgia plant.

U.S. investors in some 63m ICI shares, representing more than 10 per cent of the group's total share capital.

Hawley plans U.S. quote

The directors of Hawley Group are currently working with a major New York investment bank to investigate the possibility of creating a market in its shares in New York on the over-the-counter market.

In a letter to shareholders, Mr Michael Ashcroft, the chairman, says Hawley's interests in the U.S. have expanded and increasing interest in the group has been shown by American investors.

He points out that the listing requirements of the Securities and Exchange Commission are extremely complex and would take several months to complete. "Should we proceed with this project, an announcement will be made in due course," he says.

Audiotronic cuts loss

Financial losses before tax of £23,000 (£103,000) have been produced by Audiotronic Holdings for the 26 weeks to August 31 1983. Turnover of this distributor of electronic goods increased from £1.21m to £1.3m.

Mr A. Gordon Macpherson, chairman, says that Eagle distributors returned to profitability and much of the pre-tax loss was accounted for by start-up costs of diversification into telecommunications products. He says these new activities are developing well.

In the second half he expects sales of such products to make a healthy contribution to broadening the business.

On October 20 Audiotronic bought Micro-Equipment Centre. The company distributes telephones and communication equipment, and turnover in the year to the end of June 1983 was just over £1m with net profits at £207.

Yearlings unchanged

The interest rate for this week's issue of local authority bonds is 9 1/4 per cent, unchanged from last week and compares with 9 per cent a year ago. The bonds are issued at a premium and are redeemable on November 7 1984.

A full list of issues will be published in tomorrow's edition.

BOARD MEETINGS

The following companies have notified dates of board meeting to the Stock Exchange. Meetings are usually held for the purpose of considering dividend. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim—Ella and Goldstein, Marks and Spencer, Shish, TR City of London Trust.

Final—Allied London Properties, J. Hargreaves, Heston Smith, Texas Stores, Pineapple Dance Studios, Safeguard Industrial Investments, Tiger Data and National Milling, Wolseley-Hughes.

FUTURE DATES

Interim—Burnett and Hatterfield, Nov 24; Churchbury Estates, Nov 3; Cullen's Stores, Nov 16; Electra Investment Trust, Nov 9; Eurocompromises, Nov 7; Heath (C. E.), Nov 22; Locker (Thomas), Nov 24; Munford and White, Nov 24; Redding, Nov 24; Usher-Walker, Nov 8.

Final—Finis, Nov 8; Bolder (C. H.), Nov 8; W. Ribbons, Nov 9.

† Amended

BCA well ahead of forecast at £6m

A RECORD pre-tax profit of £6.02m is reported by the British Car Auction Group for the year ended July 31 1983.

This is well in excess of the March forecast of £5.25m and an increase of 62 per cent over the £3.71m reported for the previous year.

The profits were largely produced by motor auctions in the UK and the U.S.—this contribution rose from £3.06m to £5.58m.

Earnings for the year improved by 4.47p to 11.55p per 10p share and an increased final dividend of 3.25p (not less than 3p had been forecast) lifts the net total by 1p to 5.25p on enlarged share capital. A scrip issue on a one-for-one basis is also proposed.

Gross auction sale proceeds for 1982-83 soared from £299.23m to £665.2m, an improvement of 129 per cent, and turnover moved ahead by 43 per cent from £21.01m to £30.08m.

An analysis of turnover and profits shows: UK—auctions and associated activities £15m (£11.23m) and £4.14m (£3m), gas and gas cylinder suppliers £1.76m (£1.36m) and £40,000 (£182,000) and other £3.53m (£7.69m) and £38,000 (£354,000); U.S.—auctions and associated activities £9.8m (£747,000) and £1.44m (£82,000). Group profits also indicated a £363,000 (£133,000) share from the 33 per cent-owned associate Attwoods.

For the current year, overall trading in the UK and the U.S. continues to be satisfactory.

The group, headed by chairman Mr David Wickins, now operates six auctions in the U.S. Two were acquired in May 1982, the others being purchased during the past year.

In the UK it runs 14 auction centres.

In May this year the remaining 50 per cent of Auto Auctions (Scotland) was acquired

together with the goodwill of Alex Beith, Glasgow. In the same month new auction premises were opened in Glasgow.

Tax for the year accounted £2.12m (£2,000m) and minorities £5,000 (£23,000). Net profits expanded by 81 per cent to £2.9m (£1.6m) before taking account of extraordinary losses of £25,000 (£427,000).

At year-end group shareholders' funds totalled £58.13m (£11.83m). The annual meeting is scheduled to be held on December 18 at Hindhead, Surrey.

comment

Like the rest of the second-hand car market, British Car Auctions got a fair slice of the action from the buoyancy of new car registrations in the first half. Even so, it looks as if the group has continued to gain market share in what must be one of the more active areas in the motor industry. The 63 per cent

increase in taxable profits—well above the forecast in last March's rights issue—sent the shares up 4p to an all-time high of 204p, where BCA is capitalised at £60m and the historic yield is 3.7 per cent. The most dramatic improvement took place in the U.S., which was boosted by four new auction centres, bringing the total to six. But the real advance in U.S. profits should take place in the current year when BCA will have had more of a chance to get to grips with the heavy overheads there. Since the year-end, the group has made its first move into vehicle leasing with the acquisition of a 20 per cent stake in Sandgate of Delaware. Meanwhile, debt accounts for a larger proportion of total sales in the UK as are auctions of heavy commercial vehicles and plant. Moves like this away from the mass market suggest that profit margins are likely to continue to get wider in 1984.

New look Attwoods achieves 147% increase

Attwoods increased its profit before tax by 147 per cent from £406,000 to £1,010m in the 12 months to July 31 1983.

Its principal subsidiary, Drinkwater Sabey, lifted its contribution to £1,070m against £571,000 for the 10 months to July 31 1982.

Overall the group, primarily engaged in sand and gravel extraction, land filling and waste disposal, achieved a 56 per cent increase in turnover to £9.62m, compared with £5.17m.

Attwoods, an associate of the British Car Auction Group, is lifting the final dividend to 2.5p (2p), making a total 3.5p (2p). The year's payout is covered 1.9 times with earnings per share given as 6.89p (£7.75p).

A one-for-two scrip is proposed.

After tax of £567,000 (£199,000) and extraordinary debits of £63,000 (£187,000) attributable profits emerged at £375,000 (£20,000).

comment

Attwoods has now completed its metamorphosis into a pure aggregates group, but is still seeking to cut out any further dead wood. These figures are greatly flattered by the fact that the comparable period had only four months from Drinkwater, which made £1,070m before tax this time. Drinkwater's most important asset, however, has yet to bear fruit. That is the Iver gravel quarry, which will make

a substantial contribution in the current year as work on that section of the M25 gets under way. The advantage of being an expanding aggregates group—Attwoods has just bought a West country competitor for £1.8m—is that minimal central office costs allow plenty of scope for economies of scale. Meanwhile, BCA sits as heavily as ever on its 38 per cent stake. The shares rose 4p to 141p, where the historic multiple is over 24 on a 56 per cent tax charge.

Reed International P.L.C.

Reed House, 83 Piccadilly, London W1A 1EJ.

Consolidated Profit Statement for the half year ended 2 October 1983

Historical Cost		Historical Cost		Current Cost	
Quarter Ended		Half Year Ended		Half Year Ended	
3.10.82		3.10.82		3.10.82	
£ million		£ million		£ million	
(unaudited)		(unaudited)		(unaudited)	
326.2	353.8	719.4	652.8	719.4	652.8
103.3	130.0	260.4	212.7	260.4	212.7
429.5	483.8	979.8	865.5	979.8	865.5
12.6	23.5	49.7	33.1	30.4	13.7
1.2	0.2	(0.4)	1.1	(0.9)	0.7
9.7	16.2	36.1	23.1	23.0	10.9
4.1	7.5	13.2	11.1	6.5	3.5
13.8	23.7	49.3	34.2	29.5	14.4
—	—	—	—	4.1	3.7
(4.1)	(4.9)	(10.1)	(8.1)	(10.1)	(8.1)
9.7	18.8	39.2	26.1	23.5	10.0
(4.0)	(3.8)	(9.3)	(7.2)	(9.3)	(7.2)
(1.8)	(1.6)	(3.5)	(3.6)	(3.5)	(3.6)
(5.8)	(5.4)	(12.8)	(10.8)	(12.8)	(10.8)
3.9	13.4	26.4	15.3	10.7	(0.8)
(0.1)	—	—	(0.1)	—	(0.1)
—	—	(0.1)	(0.1)	(0.1)	(0.1)
3.8	13.4	26.3	15.1	10.6	(1.0)
3.1p	11.4p	22.3p	12.8p	9.0p	(0.8)p

Historical Cost profit before taxation for the half year ended 2 October 1983 was £39.2m compared with £26.1m for the first half of last year.

Approximately £1.5m was charged in the half-year for minor rationalisation costs compared with £4.5m in the equivalent period last year.

The main growth in profit arose in the United Kingdom in spite of a lack of buoyancy in nearly all markets. Reed Publishing benefited from acquisitions, notably Industrial & Trade Fairs and the Update Group. Consumer Publishing also gained following the disposal in December 1982 of Odhams (Watford). With major rationalisation completed, Decorative Products returned to a small profit after several years of heavy losses. Building Products continued to perform well in highly competitive markets.

Overseas profits reflect improved North American results from Publishing and the elimination of losses in Decorative Products. These gains were largely off-set by reduced profits at the Quebec Mill where North American newspaper prices have only recently been restored to the levels ruling before August 1982.

It was announced on 13 October 1983 that the Board intended to realise the whole of the investment in Mirror Group Newspapers by means of an Offer for Sale to the public during the first half of 1984.

During the half-year, Fischer Medical Inc (publishing) and Roman Adhesives Inc (DIY products) in the United States were acquired at a cost of approximately £9m.

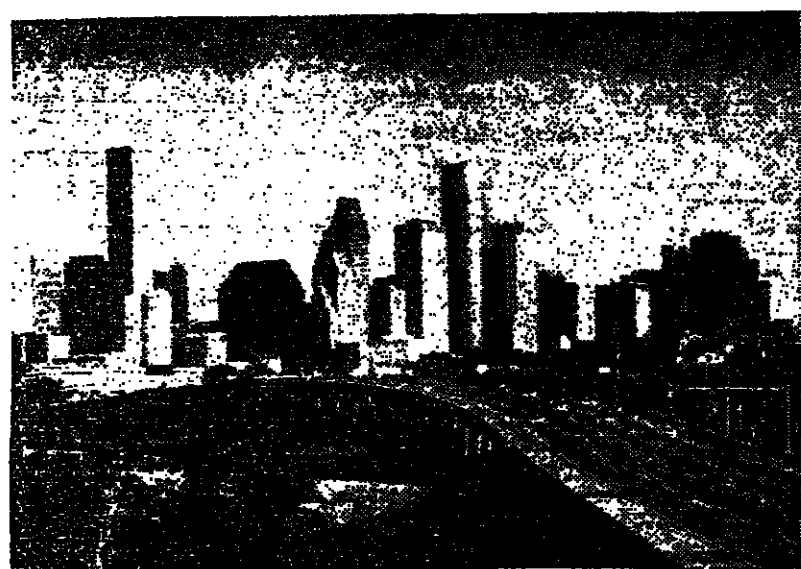
The Historical Cost profit attributable to Ordinary shareholders was £26.3m (last year £15.1m) giving earnings per share of 22.3p (last year 12.8p). Current Cost profit attributable to Ordinary shareholders increased to £10.6m (last year loss £1.0m).

The Board have declared an Interim Dividend of 5p per share (last year 4p). The increase in the Interim Dividend recognises the improved results for the first half-year but is also intended to adjust the balance between the interim and final dividends.

The Interim Dividend will be paid on 10 January 1984 to shareholders on the register on 2 December 1983.

The Texas Connection

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Source: Scarborough's 1983 National Newspaper Audience Ratings Study, Houston SMSA.

REED INTERNATIONAL includes such famous household names as Crown Paints and Crown Wallcoverings, Polycell, Sanderson, Spinnings, Telford's ceramic sanitaryware and baths, Mira showers and Kew Terra waste systems. Produces 122 million thermoplastic injection mouldings for British industry every year. Prints 35 million newspapers every week. Publishes 120 million copies annually of 270 magazines, business and technical journals, directories, travel guides and publications for children, as well as Family general interest books and Butterworth legal, technical, medical and scientific books. Has more outdoor advertising spaces in England than any other contractor. Manufactures one in five of Britain's corrugated cases and one in five of its envelopes. Makes nearly 5 million paper sacks per week. Converts board into 60 million cartons each week. Buys more waste paper than anyone else in Britain. Produces one out of every six tonnes of paper and board manufactured in the UK. Organises more exhibitions worldwide than anyone else. And much more besides.

A major force in many markets, comprising over fifty unique and significant businesses

Wednesday November 2 1983

Senate snag leaves an uneasy limbo

Credit market yields slackened off a shade throughout the range

Profit-taking made itself felt elsewhere in chemicals. Monsanto gained

While the market so far has resiliently withstood checks from the Caribbean

South African gold shares took another battering. Heavyweight issues were a further £2 down at one stage, but rallied in sympathy with bullion to close with widespread losses of a point.

Details, Page 27; Share Information Service, Pages 28-29.

Buying from abroad fails to broaden

A ROUND of profit-taking mainly by short-term investors brought an end to the five session rally in Hong Kong and left the Hang Seng index down 18.48 at 846.74.

Montreal gave the best of the running to the banking sector, while papers and utilities were also firm against a weaker trend on the industrial side.



A ROUND of profit-taking mainly by short-term investors brought an end to the five session rally in Hong Kong and left the Hang Seng index down 18.48 at 846.74.

ila-Melbourne-Lam-Tsing-Fort-Moresby-Namie-San-Francisco

next page (cont.)

	\$378.30	\$378.00	CR (Spot Premium) (gain)		
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* indicates latest pre-close figure

Details, Page 27; Share Information Service, Pages 28-29.

Kuala Lumpur-Kuwait-London-Los Angeles-Manila-Melbourne-Parrs-Peking-Port-Sutton-Rome-San Francisco-Seoul-Singapore-Sydney-Taipei-Tokyo

[illegible]

	Readership %
FINANCIAL TIMES	43
FAZ	24
HANDELSBLATT	21
LE MONDE	11
LHT	9
NEUE ZÜRCHER ZEITUNG	8
WALL STREET JOURNAL	6
BUSINESS WEEK	24
ECONOMIST	23
TIME	13
NEWSWEEK	11
INSTITUTIONAL INVESTOR (INTED)	21
EUROMONEY	17

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Continued on Page 25

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ملکذا منه الأصل

AUTHORISED UNIT TRUSTS

Unit Trust Name	Units	Price	Change
Abney Unit Tr. Mgrs. (a)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (b)	1.35	12.95	+0.05
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Abney Unit Tr. Mgrs. (w)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (x)	1.35	12.95	+0.05
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Abney Unit Tr. Mgrs. (y)	1.35	12.95	+0.05
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FT UNIT TRUST INFORMATION SERVICE

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INSURANCES

Insurance Company	Policy	Price	Change
Abney Unit Tr. Mgrs. (a)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (b)	1.35	12.95	+0.05
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Authorised Units—continued

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Offshore and Overseas—continued

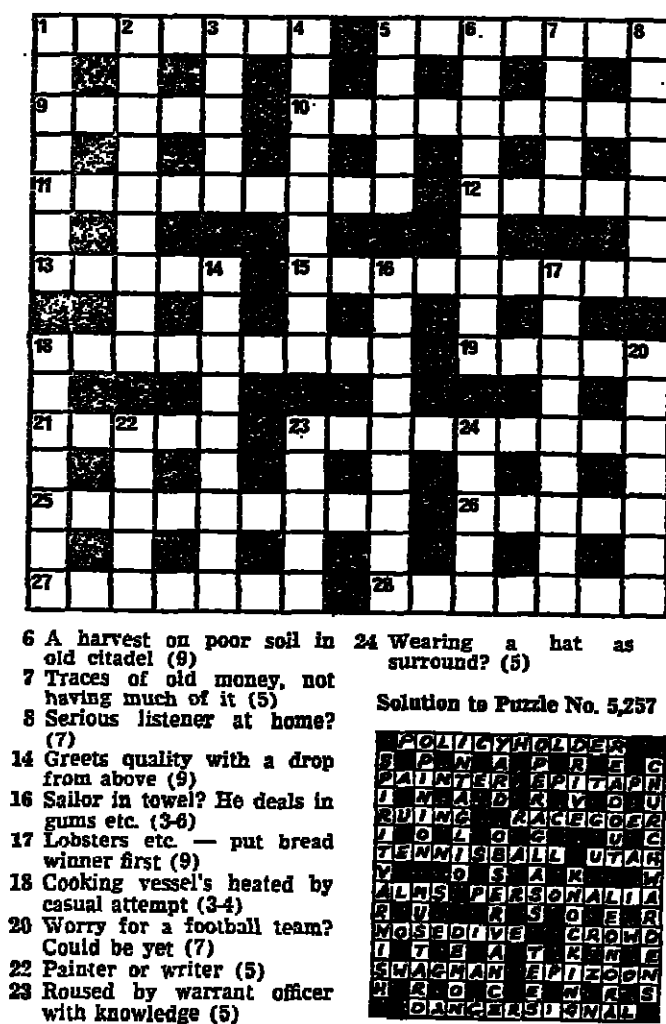
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Abney Unit Tr. Mgrs. (t)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (u)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (v)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (w)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (x)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (y)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (z)	1.35	12.95	+0.05

Insurances—continued

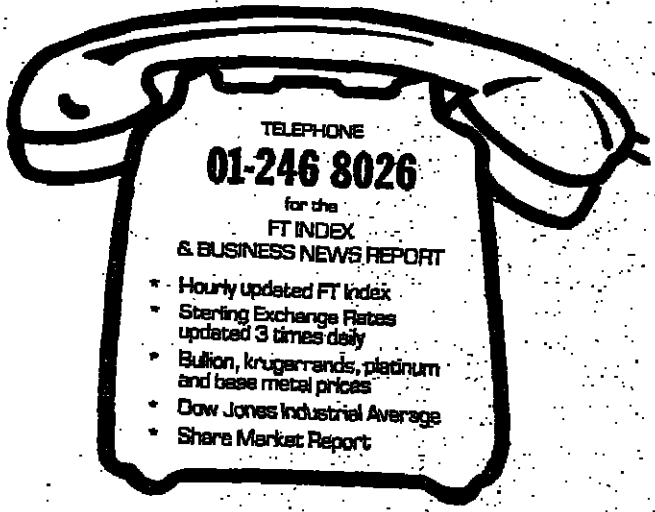
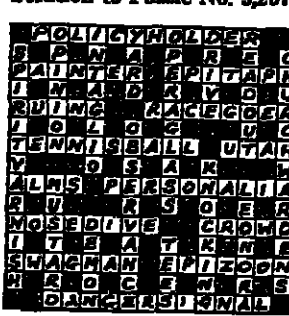
Insurance Company	Policy	Price	Change
Abney Unit Tr. Mgrs. (a)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (b)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (c)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (d)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (e)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (f)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (g)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (h)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (i)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (j)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (k)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (l)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (m)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (n)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (o)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (p)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (q)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (r)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (s)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (t)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (u)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (v)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (w)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (x)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (y)	1.35	12.95	+0.05
Abney Unit Tr. Mgrs. (z)	1.35	12.95	+0.05

F.T. CROSSWORD PUZZLE No. 5,258

- ACROSS
- Rubbish where flowers should be? Someone's over-
sleepy (4, 3)
 - Money that is found in golf
club (7)
 - Old god gives thanks,
coming into money (5)
 - River rose bursting bank (9)
 - Former celebration upset
me and I prayed (4, 3)
 - Something to do with lips
for money (5)
 - Sort of charge producing
death with change of heart
(5)
 - South-East Asian eating
some delicacies in other
words (9)
 - Not altogether in a pre-
judiced manner (9)
 - March man is thus followed
by America (5)
 - Sounds horn as an endear-
ment? (5)
 - It will soak the rich and
exalt what is in disarray (6, 3)
 - Pachyderm takes more than
half the space for a flask
(3, 6)
 - Money is the bait — about
a cent (5)
 - Metal bird in old abbey (7)
 - Contrasting colours in
Archangel etc. (3, 4)
- DOWN
- Nevertheless take care of
the sub (4-3)
 - Money not coin — ditto —
is likely to be enveloped (9)
 - Law observed in Downing
Street (5)
 - Inclined to dread wicked-
ness? Certainly not! (4-5)
 - Ship held by lad of
authoritarian character (5)



Solution to Puzzle No. 5,257



01-246 8026

Assurance—cont. cont.—Series A	Property Growth Assur. Co. Ltd. Guam, P.R.	Standard Life Assurance Company New York, N.Y.	Barclays Unicom International London, England
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COMMODITIES AND AGRICULTURE

World cocoa surplus likely

BY RICHARD MOONEY

A MODEST world cocoa production surplus is likely in the 1983-84 season, according to a market report published today by Gili and Duffus, leading London cocoa traders.

Output is forecast to rise by 130,000 tonnes above the 1982/83 total while most of the potential rise in consumption, reflecting the recovery in consumer spending, is forecast to be counteracted by higher chocolate prices.

Set against the estimated 101,000 tonnes production deficit sustained in 1982/83, Gili and Duffus forecasts this will result in "a small net addition to world stocks."

While accepting that this assessment implies that the market is likely to fall further over the coming months, Gili and Duffus sounds a strong note of caution. Pointing out that major crop prospects remain far from settled it adds, "those who can hold their breath a little longer yet might be well advised to do so."

The report includes an estimate for output in the Ivory Coast, the world's biggest cocoa producer, which is close to the

top of the range of recent trade estimates. It puts the main crop at 400,000 to 430,000 tonnes compared with 325,000 tonnes last year and earlier assessments as low as 300,000 tonnes.

The Brazilian main crop is also predicted higher than in 1982/83 at 145,000 to 155,000 tonnes against 127,000 tonnes. But main crops in other leading producing countries are forecast lower. Ghana's is put at 125,000 to 140,000 tonnes, down from 177,000 in 1982/83, and 150,000 to 160,000 tonnes (152,000) and Cameroon's at 95,000 to 105,000 tonnes (102,000).

Mid crops are expected to be generally higher after being so poor last year and increased output is expected in some minor producing countries, especially Malaysia.

Cocoa futures prices on the London market have traded in a fairly narrow range recently, despite the publication of widely varying estimates of Ivory Coast production.

London cocoa futures eased back yesterday on speculative selling with the March position closing 215 below Friday's close at £1,325.50 a tonne.

Price of sugar continues to slide

BY RICHARD MOONEY

WORLD SUGAR prices fell yesterday for the seventh successive trading day. As favourable weather continued to improve crop prospects, the London daily raws price was marked down another £5 to £135 a tonne. This was the lowest level for six months and took the fall in the last three weeks to £35 a tonne.

Late plantings and wide-spread lack of rainfall early in the season had led to expectations of a sharp fall in world sugar production and a reduction of more than 3m tonnes in stocks. But in the face of much improved conditions, the expected stocks draw-down has been cut back to 1m tonnes or less by most analysts.

World sugar consumption in 1983-84 will rise 2 per cent from the 1982-83 level of 92m tonnes. Mr Peter Buzzanell, an economist at the U.S. Agriculture Department's Foreign Agricultural Service, said yesterday, reports Reuters.

He estimated world sugar stocks at 46.1m tonnes in August 1984, up from 43.37m a year earlier.

Rise in aluminium prices predicted

BY JOHN EDWARDS, COMMODITIES EDITOR

A RISE in aluminium prices next year was forecast by two separate sources yesterday. But both warned that if high price levels were maintained, aluminium faced a threat of losing sales to cheaper, substitute raw materials.

Hargreaves and Williamson, London metals research unit of Shearson/American Express, in a special report on the outlook for aluminium, forecast that the price of ingots would reach a peak of \$1 a pound (equivalent to £1.40 a tonne at current exchange rates) next year.

Average price for 1984 is put at \$5 cents (£1.250) against a 1983 average of 67 cents (£1.590).

The report said that a "squeeze" on aluminium supplies could develop by the end of 1984 unless prices rose sufficiently high to encourage the re-opening of idle production capacity, especially in Japan.

However, it added that the very strength of the aluminium price could be its downfall as consumption was likely to switch over to alternative materials.

This could create a glut of aluminium supplies and a fall in prices during the second half of the decade.

Mr Christopher Stobart, of Commodities Research Unit, painted a similar picture for aluminium at a commodity seminar organised by London stockbrokers, de Zoete and Bevan.

Estimates by Commodities Research Unit predict that consumption of aluminium will rise to 11,324,000 tonnes this year (against 10,779,000 in 1982) and move further ahead to 12,490,000 tonnes in 1984.

Production this year is put only marginally up at 10,975,000 tonnes but is expected to jump to 12,039,000 tonnes in 1984.

Mr Stobart, however, forecast only a modest rise in price next year and said aluminium companies would then be faced with the choice either of sustaining prices and profits, or seeking to defend market share by reducing prices as the disparity with other materials widened. Initially he thought they would go for profitability.

Mr Stobart said the outlook for both copper and nickel remained bleak. So far the recovery in demand had been confined to consumer durable rather than the capital goods.

In spite of the lowest prices (in real terms) since the 1930s state-controlled copper companies, who provided 42 per cent of non-Communist world output, had maintained production levels.

The main burst of production cuts had been borne by North American producers, who had now reduced their costs and in some cases resumed output.

Although China had bought at least 250,000 tonnes this year, supplies were likely to continue exceeding consumption.

There would, therefore, be no significant increase in prices next year and copper might miss out on the economic recovery entirely.

Mr Stobart saw little prospect for a price recovery for nickel either. He said nickel producers, who had cut production sharply in 1982, were learning to live with lower prices, and stocks were rising again as supply continued to outpace the slow growth in consumption.

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Farm land values at record levels

By Our Commodities Staff

ENGLISH agricultural land with vacant possession cost a record average £4,829 per hectare in the three-month period to the end of September. The figures are based on 320 reported sales covering 11,991 hectares.

This indicates a continuing modest increase in land possession values—from £4,710 per hectare in the previous quarter, and £3,998 in the third quarter of last year.

CHINA'S record 1983 grain harvest means it should be able to cut down further on grain imports, say Western agricultural experts. Current production estimates show that China is unlikely to fulfil its long-term grain pact with the U.S. next year.

REDUCED supplies and higher prices should boost U.S. spring and summer potato plantings.

BLUE VINNEY cheese made on the Ashley Chase estate in Dorset will be available in the shops from this week. It has not been available commercially for 15 years.

OLIVE OIL imports into Italy rose 91,598 tonnes in the first seven months of 1983, a 160.4 per cent increase on the same period last year.

THE U.S. is reviewing its estimate of the Soviet cotton crop following recent Russian statements that it would probably fall below the 13.5m bales U.S. estimate.

TANZANIA will start producing latex in three years, hoping to save \$17m a year. Planting of rubber trees began in 1981.

MALAYSIA'S 1984 rice imports are forecast at 338,000 tonnes compared with 352,000 tonnes this year.

Sunnier forecast for U.S. farmers

an agreement out of the Office of Management and Budget for anything like the \$9bn it had hoped to offer in export credit guarantees.

Mr Daniel G. Amstutz, USDA under-secretary for international affairs, said that

while the value of U.S. farm exports was expected to rise to about \$39bn in fiscal 1984, foreign sales were actually hindered by U.S. farm programmes.

"When U.S. price supports are above world market levels, competitors can establish

Nancy Dunne looks at price and crop prospects for next year

to wheat, there may be less competition in this market in the early part of the season because of smaller crops and reduced export availability in South Africa and the EEC. However, southern hemisphere production is expected to be stimulated if prices remain strong.

Oilseeds: U.S. exports of oilseeds and products in fiscal 1984 are forecast at 27.4m tonnes, down a fifth from last year as a result of reduced supplies. Harvests in the southern hemisphere next year are expected to be an important key to ultimate U.S. sales. Producers in Brazil and Argentina are expected to plant record acreages as a result of the strong prices.

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PRICE CHANGES

In tonnes unless stated otherwise	Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
		Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050	£1,050
Copper	£1,050	£1,050	£1,050
Gold	£1,050	£1,050	£1,050
Lead	£1,050	£1,050	£1,050
Nickel	£1,050	£1,050	£1,050
Platinum	£1,050	£1,050	£1,050
Silver	£1,050	£1,050	£1,050
Tin	£1,050	£1,050	£1,050
Wool	£1,050	£1,050	£1,050
Zinc	£1,050	£1,050	£1,050

BRITISH COMMODITY PRICES

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

AMERICAN MARKETS

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

FINANCIAL TIMES

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

NEW YORK

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

CHICAGO

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

LONDON OIL SPOT PRICES

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

GAS OIL FUTURES

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

WEEKLY METALS

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

SOYABEAN MEAL

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

SUGAR

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983
	Nov. 1 1983	Nov. 1 1983
Aluminium	£1,050	£1,050
Copper	£1,050	£1,050
Gold	£1,050	£1,050
Lead	£1,050	£1,050
Nickel	£1,050	£1,050
Platinum	£1,050	£1,050
Silver	£1,050	£1,050
Tin	£1,050	£1,050
Wool	£1,050	£1,050
Zinc	£1,050	£1,050

POTATOES

Nov. 1 1983	Nov. 1 1983	Nov. 1 1983</
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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm on Middle East fears

The dollar continued to improve in currency markets yesterday, underpinned by renewed Middle East tension between Iraq and Iran and fears that U.S. interest rates were unlikely to fall significantly in the near future in view of the Federal authorities heavy funding requirements.

Sterling also benefited from the possibility of a disruption in the transit of Middle East oil and showed a firmer tendency against European currencies while slipping a little against the strong dollar.

DOLLAR — Trade-weighted index (Bank of England) 127.3 against 126.6 six months ago. The dollar has retreated from the peaks touched in August and hopes that a sustained fall was imminent, followed by a better money supply figures and a slight easing of interest rates.

A large U.S. Budget deficit is likely to restrain the fall in interest rates and the dollar but downward pressure on the currency will continue due to the substantial trade deficit.

The dollar finished close to the day's high as demand continued with the opening of New York.

Against the D-mark it closed at DM 2.6477, its best level since late September and up from Monday's figure of DM 2.6300.

It was also higher against the Swiss franc at Sfr 2.1610 from

Sfr 2.1410 and Ffr 8.0775 from Ffr 8.01. Against the yen it rose to Y234.30 compared with Y234.0.

STERLING — Trading range against the dollar in 1983 is 1.6235 to 1.6540. October average 1.6377. Trade-weighted index 84.1 against 84.0 at noon and 84.0 at the opening and compared with 83.7 on Monday and 84.2 six months ago. The pound has tended to move with the dollar recently although a decline against Continental currencies is probably welcomed. It has also reacted to Middle East tension and its effect on oil supplies, highlighting the pound's status as a petrocurrency.

Sterling fell in late trading against the dollar to finish at \$1.4860-1.4870, down 90 points from Monday's close and a day's high of \$1.4965. It was higher against the D-mark however at

DM 2.6477 compared with 2.6300 and Sfr 2.1610 from Sfr 2.1410.

Against the French franc it rose to Ffr 8.0775 from Ffr 8.01.

Against the yen it rose to Y234.30 compared with Y234.0.

Against the D-mark it rose to DM 2.6477 from DM 2.6300.

Against the Swiss franc it rose to Sfr 2.1610 from Sfr 2.1410.

Against the Italian Lira it rose to Lit 1,365.00 from Lit 1,360.00.

Against the Spanish Peseta it rose to Ptas 166.50 from Ptas 166.00.

Against the Portuguese Escudo it rose to Esc 200.00 from Esc 199.00.

Against the Greek Drachma it rose to Dr 340.00 from Dr 339.00.

Against the Japanese Yen it rose to Y234.30 from Y234.00.

Against the Australian Dollar it rose to A\$1.4860 from A\$1.4850.

Against the New Zealand Dollar it rose to NZ\$1.4860 from NZ\$1.4850.

Against the Hong Kong Dollar it rose to HK\$1.4860 from HK\$1.4850.

Against the Singapore Dollar it rose to S\$1.4860 from S\$1.4850.

Against the Thai Baht it rose to THB1.4860 from THB1.4850.

Against the Malaysian Ringgit it rose to RM1.4860 from RM1.4850.

Against the Indonesian Rupiah it rose to Rp1.4860 from Rp1.4850.

Against the Philippine Peso it rose to P\$1.4860 from P\$1.4850.

Against the South African Rand it rose to R1.4860 from R1.4850.

Against the Botswana Pula it rose to P1.4860 from P1.4850.

Against the Lesotho Pula it rose to P1.4860 from P1.4850.

Against the Namibia Dollar it rose to N\$1.4860 from N\$1.4850.

Against the Swaziland Lilangeni it rose to L\$1.4860 from L\$1.4850.

Against the Zambian Kwacha it rose to K1.4860 from K1.4850.

Against the Malawi Kwacha it rose to MK1.4860 from MK1.4850.

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DM 3.9475 compared with 3.9350

and Sfr 3.2150 from Sfr 3.2025.

Against the French franc it rose to Ffr 8.0775 from Ffr 8.01.

Against the yen it rose to Y234.30 compared with Y234.0.

Against the D-mark it rose to DM 3.9475 from DM 3.9350.

Against the Swiss franc it rose to Sfr 3.2150 from Sfr 3.2025.

Against the Italian Lira it rose to Lit 1,365.00 from Lit 1,360.00.

Against the Spanish Peseta it rose to Ptas 166.50 from Ptas 166.00.

Against the Portuguese Escudo it rose to Esc 200.00 from Esc 199.00.

Against the Greek Drachma it rose to Dr 340.00 from Dr 339.00.

Against the Japanese Yen it rose to Y234.30 from Y234.00.

Against the Australian Dollar it rose to A\$1.4860 from A\$1.4850.

Against the New Zealand Dollar it rose to NZ\$1.4860 from NZ\$1.4850.

Against the Hong Kong Dollar it rose to HK\$1.4860 from HK\$1.4850.

Against the Singapore Dollar it rose to S\$1.4860 from S\$1.4850.

Against the Thai Baht it rose to THB1.4860 from THB1.4850.

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FINANCIAL TIMES SURVEY

Dairy Industry

Since Britain joined the EEC, the UK's dairy industry has undergone a major upheaval. Now, faced with a glut of milk production throughout Europe, the industry is seeking to boost consumer markets and to develop its product range.

Moves to develop new markets

FROM THE COW to the consumer, Britain's dairy industry is one of the largest business operations in the country. Every day, on average, some 35m litres of milk flow into the bulk tanks of around 40,000 farms, where it is then collected on a daily basis by one of the largest tanker fleets in the country and delivered either to the dairies for bottling or to the creameries to be made into butter, cheese, or other products.

It is an industry that most people take for granted. They expect milk to be delivered each day to their doorsteps; they expect it to be fresh and nutritious; they complain about the price for a pint but at the end of the day are fairly satisfied with both the service and the product, according to market research studies.

Yet Britain's dairy industry has undergone a major upheaval over the past decade as a result of Britain's joining the EEC. Moreover, the continued inter-linking of Britain's dairy producers with their European counterparts is threatening to pose just as great a threat over the next decade.

The most immediate problems are the glut of milk production throughout Europe, at a time when demand is relatively static, and the strains this is putting on the financing of the EEC dairy policy. The introduction into the UK of cheap UHT milk imports adds a further dimension. These imports will be allowed from November 16, under regulations laid before Parliament last week.

The dairy industry in Britain is already operating amidst a whole host of complex legal and institutional restraints—

BY DAVID CHURCHILL
CONSUMER AFFAIRS
CORRESPONDENT

far more in fact than any other sector of the food industry. These are not theoretical constraints, but are of an immediate and practical nature which affect the industry's potential to remain profitable.

The UK dairy industry is well used to this. Ever since the Milk Marketing Board was first set up 50 years ago, politicians and bureaucrats—be they from Whitehall or Brussels—have sought to regulate the supply of milk. Even now, liquid milk prices are controlled at wholesale and retail level and the dairies' aggregate profit margins on milk are, effectively, set by the Government.

But the onset of complex EEC rules and regulations affecting the dairy industry make any real long-term planning for the sector more difficult, especially as what is proposed seems divorced from the reality of the market place. Recently, the Federation of UK Milk Marketing Boards felt obliged to issue a statement describing as "totally unacceptable" the EEC Commission proposals to cut the growing dairy surplus.

The statement says that the boards are convinced that the commission's assessment is unnecessarily alarmist. They totally reject the commission's claim that in the absence of a production quota scheme, a reduction in support prices of as much as 12 per cent would be necessary.

Criticism of the EEC from the opposite standpoint comes from the consumers in the European Community Group, the umbrella organisation for UK consumer groups concerned with EEC issues. The CECG believes that there "is only one effective way of curbing milk supplies and bringing down the price of milk." This is "to reduce support prices, or at the very least freeze them for a significant period of time."

The reason for the oversupply position in European markets is spelt out by Sir Stephen Roberts, chairman of the MMB. "The exceptional weather experienced in Britain in 1982/83 also occurred throughout Europe, with the result that by the end of the year there were large stocks of dairy products," he says.

"This situation, together with the poor weather of this spring, means that in the coming year the total income available to milk producers is likely to rise

by only a small amount if at all." Sir Stephen adds: "Next year, therefore, will be one in which to consolidate: we must look to efficiency for increased rewards, not only on the farm but also in transport, in manufacture, and in every other stage of the production and marketing chain."

A record 13,655m litres of milk were produced in 1982/83, an increase of 7.6 per cent over the depressed level of the previous year, and 6.6 per cent above the previous record of 1980/81. Averaging the last two years—a very poor year and a very good one—supplies increased by 3.3 per cent a year.

The number of dairy cows rose slightly—by about one per cent—mainly due to fewer cows being slaughtered rather than more heifers being taken in. The rise in milk production, therefore, was due mainly to an increase in yield per cow.

Sales recovery

By contrast, liquid milk sales continued to decline in 1982/83—falling by 1.6 per cent—but, significantly, there has been some recovery over the past six months. Liquid milk for consumption is down by only 0.2 per cent over the past six months and the trend is clearly towards some stabilisation of the market after the steady decline in recent years.

Credit for halting this decline is due in part to the aggressive advertising and marketing campaign being carried out by the industry to promote liquid milk sales. Apart from television advertising, sponsorship has increased. The Football League cup has been relaunched as the Milk Cup, and sales of milk through pubs have grown considerably. The trade has also sought to

capture the young consumer market by developing flavoured milks to compete in the substantial soft drinks market. Plans for a carbonated milk drink are already well advanced to take on the cola producers.

The dairy industry is not simply toying with all these new marketing moves: it is considered essential to find new markets for liquid milk in face of the threat from cheap imports of UHT milk.

The industry fears that once initial consumer reluctance is overcome to the different taste of UHT milk, then European countries will be able to make considerable inroads into the UK market.

The effect of this, it is argued, would put in jeopardy the doorstep delivery service—which accounts for the bulk of liquid milk sales in the UK—as even a small decline in milk sold to households could make many rounds uneconomic.

But the doorstep delivery service is not only challenged from imports of UHT. One of the market developments in recent years has been the increased willingness of major supermarket chains to sell milk—even in some cases as "loss leaders" in order to attract shoppers.

The trade has generally resisted this move since milk sold at a lower price through supermarkets undermines the doorstep delivery service.

The Office of Fair Trading has been keeping the market position under close scrutiny and two years ago had contemplated referring the milk supply issue to the Monopolies and Mergers Commission for a full study. A sign of the OFT's monitoring of the dairy industry was shown by the OFT's recent revelation of secret price fixing agreements between the major

dairy companies.

The importance of liquid milk sales to the dairy industry, however, has been steadily diminishing over the past decade after the UK joined the EEC.

As Britain's access to cheap manufactured foodstuffs such as butter and cheese from the Commonwealth countries dried up, so the Government urged the industry to switch to producing more manufactured dairy products in the UK.

Steady change

Thus, the ratio of liquid milk to milk used in manufactured products has steadily changed, so that slightly more than half of all milk produced now goes into manufactured dairy products.

The MMB has therefore had to increase its commercial operations in line with the trend and these are now concentrated within the Dairy Crest operation, which operates at "arm's length" from the MMB.

Thus, when Lymeswold cheese was produced by Dairy Crest last year it became the first new English cheese to be produced for two centuries. A special team of marketing executives at Dairy Crest are constantly searching for new products that make use of milk: soap is just one possibility now being examined.

Fifty years ago, dairy farmers would have thought the idea of producing milk to make soap ludicrous.

But the future profitability of the dairy industry clearly rests in seeking out new markets if the trade is to remain viable. In 50 years time, when the MMB celebrates its centenary, who knows what milk will be used for then?

Milk Flow in the United Kingdom April 1982 to March 1983 (Million Litres)			
Total Sales Off Farms 16374		Total Sales On Farms 220	
Retail Sales by Producer Retailer 248		Wholesale (Ordinary) Producers 15906	
Total Liquid Sales 6962		Total Manufactured 9412	
of which 97% is heat treated & comprises—		Butter 5154 55%	
Pasteurised 863%		Cheese 2478 26%	
Sterilised 69%		Condensed 510 5%	
Homogenised 65%		Milk Powder 269 3%	
UHT 0.6%		Cream 927 10%	
Based on England & Wales Excludes Scotland		Other Products 83 1%	
		Including Farmhouse Cheese	

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THE CREAM



After 120 successful years of developing markets for the British Dairy Industry we'd like to congratulate the Milk Marketing Board on their 50th anniversary.

As leading manufacturers we have invested over £100 million in the British Dairy Industry over the last five years.

Today we have some of the most sophisticated dairy plants in Europe, processing 2,500 million litres of milk a year



into dairy products and sales of £650 million.

Our commitment and enterprise includes the daily delivery of fresh milk to 1 1/4 million households, and the responsibilities of the largest cheese manufacturer in the British Isles.

We were the first British Dairy Company to market yogurt, cottage cheese and long life cream. With Ski and Eden Vale brands we continue to be the market leaders



in all fresh dairy products.

And we don't stop at the British Isles. We have taken our dairy technology to the USA and we export British dairy products to 38 countries across the world.

This year we were presented with the Queen's Award for Export Achievement in recognition of our endeavours.

Express Dairy Company Limited

A member of the Grand Metropolitan Group.





Schroders

J. Henry Schroder Wagg & Co. Limited

International Merchant and
Investment Bankers

Congratulate the
Milk Marketing Board on its
50th Anniversary

Here's to 50 years of
meeting the challenge
of change...



...together

Since its formation 50 years ago,
the Milk Marketing Board has been insured with the NFU Mutual
—the farmers' own insurance society.

A happy alliance.

A natural, you might say,
right from our mutual grass roots.



NFU Mutual

Meeting the challenge of change

NFU Mutual Insurance Society Ltd., Stratford-upon-Avon, Warwickshire CV37 6HL

DAIRY INDUSTRY II

Britain's Milk Marketing Board is 50 years old. David Churchill examines
the changing role of the MMB which takes as its motto...

'Together in enterprise'

FIFTY years ago Britain's dairy farmers were given the chance to decide, in a special poll, whether a new marketing structure for the milk they produced should be set up.

Support for the project in September, 1933, was only a few percentage points short of being unanimous and the Milk Marketing Board was set up later that year.

Some 45 years later, in 1978, Britain's dairy farmers were again asked whether they wanted the milk marketing scheme to represent them this time at the behest of the European Commission which had been wary of the UK's milk marketing scheme ever since Britain joined the EEC in 1973, because it did not conform to the dairy systems operating in most of the rest of Europe.

None the less, the vote this time was again almost unanimous, with some 98 per cent in favour of maintaining the MMB structure. The board was safe to celebrate its Golden Jubilee.

The MMB is probably the best-known and most successful of the agricultural marketing boards which were set up following the Agricultural Marketing Act of 1931. This Act recognised "the urgent need... to enable producers... to control effectively the marketing end of their business, and enjoy equal opportunity with other highly organised groups in the industrial community."

The need for such legislation was a legacy from the Victorian era when the policy of basing Britain's economy on the export of industrial goods in return for the import of cheap foodstuffs developed.

At the same time the rapid growth of Britain's population, and the move towards urban areas, meant that milk producers in the UK were kept fully stretched to supply the demand for fresh liquid milk, let alone the markets for butter and cheese.

These markets were increasingly filled by cheap imports from the fast-developing agricultural industries of Canada, Australia and New Zealand.

Thus, Britain's dairy farmers were at the mercy of the dairy companies on the one hand for sale of liquid milk and, on the other, to compete with cheap imports of manufactured dairy products. It was a situation hardly conducive to efficient dairy farming.

As the tensions between producers and buyers—and between different categories of producer—increased, so the need for a more effective structure became apparent. The advantage of the MMB system was that it imposed a discipline on all dairy farmers to register with the Board and sell their milk only through the Board.

The MMB's task, therefore, became to sell all the farmer's milk on his behalf to the dairy companies on terms negotiated from a position of comparable strength. In addition, the MMB was to rationalise the primary distribution and allocation of milk supplies, giving priority to the more remunerative markets, and to distribute the total income from the market on an equitable basis among all the milk producers.

Initially, it was not the Board's intention to become involved in the processing of milk and the manufacture of milk products—a fundamental difference from the producer co-operatives in most European countries whose aim is to give farmers control over the processing of their product.

However, as early as 1934—one year after the MMB was formed—it was forced to set up a cheese creamery to ensure a regular outlet for Cumbrian milk. Over the years other creameries have been acquired or built, the most notable expansion being in 1979 when the board bought 16 cheese and butter creameries from Unigate to add to the 17 it already owned.

The early years of the MMB were spent in trying to bring some order to the chaotic position into which the dairy industry had fallen. The regularity of the monthly MMB cheque which arrived at each dairy farm became a symbol of the new-found security and stability among farmers, and the number of producers rose steadily.

The outbreak of war led, in 1942, to the Ministry of Agriculture exerting direct control over milk prices although the board continued to operate as the Ministry's agent in arranging the efficient distribution of milk throughout the country.

The main areas

It was during the war years that the Board first developed into activities not directly related to the marketing of milk, but aimed instead at helping the farmer to raise his technical and financial efficiency.

These activities fell into two main areas. Firstly, the MMB set up a national milk records scheme to replace the piecemeal recording schemes already in existence. Such a national records scheme was a pre-requisite for genetic improvement of herds and for more sophisticated farm management.

Secondly, the scope for making use of the newly-developed technique of artificial insemination available to every farm was recognised, and the MMB's first AI centre was set up at Beccles in Suffolk.

These two developments formed the basis of the MMB's breeding and production services which now offer the farmer the most comprehensive range of integrated, computer-aided services available. These services include recording and consulting services for farm management; a huge stud of dairy and beef bulls available through AI; and a number of veterinary facilities to help improve herd health and fertility.

The board did not have its marketing powers fully restored until 1954, and even then milk prices still remained largely determined by Government. However, the Board concentrated on developing the dairy market after 15 years of rationing. It sought to re-educate people in the real uses of milk and milk products after so many years of short supply—the famous slogan "Drink a Pint of Milk a Day" dates from this period.

The MMB also began to experiment with bulk tankers for collecting refrigerated milk from the farm. Progress was slow in achieving this, however, and by 1965 only 9 per cent of milk was collected by tanker. But by the middle of 1979, the conversion programme was completed.

Britain's accession to the EEC in 1973 was a major turning point for the MMB and the dairy industry as a whole. For the first time the Government was openly calling for an increase in milk production and a greater degree of self-sufficiency in dairy products.

In addition, the question began to be raised of the compatibility of certain of the Board's activities with the Treaty of Rome. Eventually, this threat to the MMB's existence was overcome—with help of the referendum vote of dairy farmers—and the MMB's legal status within the EEC was assured.

The major development in recent years has been the setting up, following the acquisition of the Unigate creameries, of a separate commercial organisation for the MMB's creameries, bottling dairies, and tanker fleet. This organisation was named Dairy Crest—previously just a brand name on MMB products—and it operates at "arm's length" from the MMB. Its creation, however, has not been without some criticism from the major dairy companies it is now actively competing with. "The setting up of Dairy Crest has removed the MMB from any role as merely processor of surplus residual supplies of milk to become the dominant manufacturer and marketer of these products," says one executive from a major dairy company. This concern is likely to simmer for some time.

The MMB, however, is now looking forward to a period of greater consolidation of its efforts to communicate to farmers the benefits they can obtain from the Board's attempts to become more sophisticated in the marketing and distribution of milk throughout the UK.



How the Press had doubts about the Milk Marketing Board in its early days.

Doorstep milk deliveries still greatly valued by UK consumers

Changes in the milk market

BRITONS DRINK more milk per head of the population than most of the other countries in Europe—but they also have to pay more for it. It is perhaps this last fact—the price level—that goes most way to explain the steady erosion of liquid milk sales in recent years.

Milk consumption was at an all-time high as long ago as 1951, at 5.15 pints per week, and peaked again in 1966 before declining again. In recent years, the UK Government subsidy of milk prices in the mid-70s led to a new surge in consumption—although sales declined again as milk prices outstripped the retail price index for food items in general.

However, there are some signs that the decline on consumption may be stabilising. Sales in the last six months were down by only 0.2 per cent on average, compared with a decline of between 1 and 2 per cent last year.

The underlying declining trend in consumption of liquid milk is due to other factors as well as price, although these tend to be less quantifiable. For example, changes in life-style have been important with less milk used to make custard and bedtime drinks, the decline in popularity of tea, and the trend towards drinking coffee black.

Competition

Liquid milk has also suffered from fierce competition from carbonated soft drinks and fruit juices—one of the major growth markets in recent years. The declining birth rate in recent years has not helped milk sales, although the increasing birth rate at present may lead to extra demand.

Research shows that only about 11 per cent of milk is actually drunk on its own in the home. Some 26 per cent of milk at home is consumed in tea, a further 18 per cent with coffee,

and 14 per cent on cereals. Another 15 per cent is used for cooking, 4 per cent in the home with other beverages, 10 per cent for catering purposes, and the remaining 2 per cent is drunk at school.

About 84 per cent of all milk purchased is consumed in the home—not surprising since between eight and nine out of every ten pints consumed is delivered to the home via the UK's unique doorstep delivery system.

Consumption of liquid milk tends to be higher in the more affluent households, reports the Mintel market research company, although households without a wage earner (groups E1 and E2 in the socio-economic systems) have a higher than average per capita consumption of milk. There is also very high consumption of milk by old age pensioners, probably due to a higher than average consumption of tea.

According to Mintel, consumption of milk is particularly high in the east Midlands and south-west and well below the average in the north of England. Although consumption patterns in East Anglia and the South-East are very close to the average, consumption in the Greater London area is well below the average.

The bulk of the UK liquid market is accounted for by pasteurised milk which has been heated to at least 71.7 degrees centigrade for a minimum of 15 seconds, then immediately cooled. Some of the vitamin content is destroyed in the process, but the flavour remains unimpaired. "Silver top" pasteurised must have a minimum fat content of 3 per cent and "Gold top", which comes from Channel Island and South Devon herds, a minimum of 4 per cent.

The market trend is for both pasteurised and UHT milk to gradually increase their share

of heat-treated milk, although UHT sales are tiny in relation to other types of milk sold. Homogenised milk sales have been in gradual decline, despite recent years of a recovery in the use of sterilised milk in the home.

Homogenised milk sales have been in gradual decline, despite recent years of a recovery in the use of sterilised milk in the home.

CONTINUED ON NEXT PAGE

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DAIRY INDUSTRY III

Imports competition from supermarkets and over-capacity are among the problems

Tough times for dairy companies

DAIRY companies generally enjoyed a comfortable time throughout the 'sixties and much of the 'seventies. Demand was increasing and profits were heavily protected by a system which re-imposed the milk producers for increased costs.

There really was not much point in becoming obsessively efficient, in terms of plant and manpower. Also the market in England and Wales had been geographically carved-up during World War Two for obvious reasons of efficiency and, really, those arrangements had never been dismantled, so competition was very limited.

Yet times have changed and are now threatening to change even faster. The future for the dairy industry has probably never looked so gloomy as it does today. The market is in decline, supermarkets have expanded operations and aggressively captured a large slice of the dairymen's traditional customers, while container-loads of cheaper European milk are waiting to be landed at British docks and, to make matters even worse, the industry is again being taken to task over restrictive trading agreements.

Perhaps the beginning of the dairy industry's problems can be traced back to 1977 when consumption of subsidised milk finally peaked. The industry's British households have been shrinking less and demand has been in steady decline, falling at the rate of around 2 per cent a year.

Suspended

Then the Conservative Government decided to review the remuneration policy of the dairy industry. The costing system was suspended while the accountants at Binder Hamlyn got to work. At the end of the day, Mrs Thatcher accepted Binder's report and re-introduced a system not very different from the low risk form suspended in 1979.

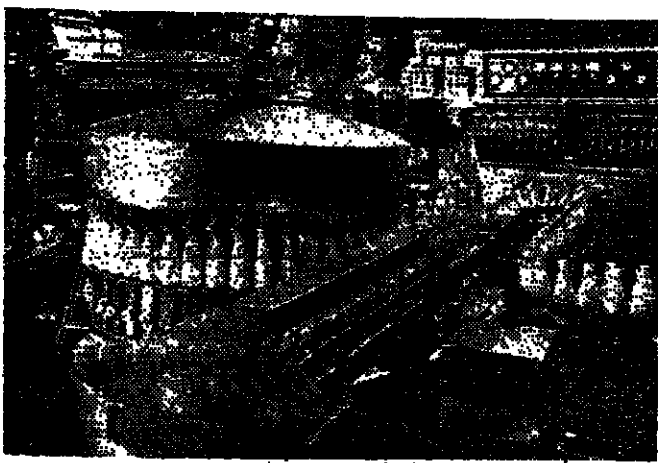
Even so, that exercise probably took around £45m of cash out of the industry. As volume slid, greater emphasis was placed on efficiency and the dairymen started replacing outmoded equipment. But there was no great reduction in capacity, and now the sector is generally labouring under 15 to 20 per cent over-capacity.

It is that factor of over-capacity which eventually played into the retailers' hands. Milk is a commodity item, essential to most households on a daily basis. The milkman delivers it and Unigate's price would be the same as the Co-op, so the only declining element of competition seemed to be the charm of the delivery man.

Meantime, the retailers had to pay a premium if they wanted to sell milk to their customers. The industry has effectively ganged-up on retailers to prevent them capturing a worthwhile slice of the market. The dairies had it down up, even if consumption was dropping.

Yet the economics of dairies made them highly sensitive to volume shifts. Once above break-even point, every extra bottle made a difference in profit terms. Yet, when volume started to decline, the economics of the floats looked more and more in jeopardy.

No doubt the big retailers were putting steady pressure on the dairies to supply them at lower prices. After all, the dairymen wanted the stores to take all their other dairy products. It was the smaller dairies feeling the pinch of falling volume, which broke ranks



Milk bottle filling and capping machine with bottle-washer equipment in the background

first and started to supply the High Street plants with milk at a price that was competitive with the morning roundsman. The Sainsbury chain set the pace. It wanted to give the consumer more choice in milk products and carve out a slice of this large lucrative market for itself. It launched Vitapint two years ago, a low-fat light milk in keeping with the trend of consumers moving away from animal fats. And most important of all, the product was pitched at a price below the doorstep bottle.

The other chains followed suit. Now, around 17 per cent of UK milk sales go through retail outlets. Two years ago that figure was probably no more than 5 per cent. The only geographic difference is Scotland, where the daily roundsman and the storekeeper traditionally have the market split roughly 50-50.

The retailers have managed to capture such a substantial market share by aggressive pricing. Sainsbury sells its milk at 11p below the doorstep price of 21p a pint — though even Sainsbury didn't follow all the way when Tesco recently slashed prices to 17p a pint for a four-week period. The supermarket chain was using milk as a loss-leader in the same way as it would any other commodity grocery item to encourage customers.

And it will be the eager retailers which pull in cheap ultra-heat treated (UHT, long-life) milk from the Continent. At the time of writing Parliament had not yet passed the appropriate regulations under the Importation of Milk Act 1983 to allow imports of UHT but it was anticipated any day. European UHT milk can be landed at a cheaper price than the British retailers can buy it from the dairy companies. So it would be very surprising if imported European milk was not on the retailers' shelves by Christmas, selling for, say, 16p a pint.

Reduced margin

Something, somewhere, has to give. Sainsbury has already negotiated lower UHT prices with its British suppliers and both the dairies and Sainsbury are taking a reduced margin. But it still cannot compete with import prices and Sainsbury has started talking to the French, Belgian and Danish suppliers.

Still, full marks to the Ministry of Agriculture, which has fought a spirited rearguard action to hold back the threat to British dairy companies' profits. UHT milk is not to everyone's taste and yet if the housewife can buy it at 16p a pint (though it will probably come in half-litre packs for 14p

must carve out a significant slice of the market.

Probably, the major dairy companies will turn to the Milk Marketing Board to renegotiate pricing policies. If every one along the route takes a cut in margins, British milk can beat off the attack with limited damage to market share. What it could well mean, however, is that the price of fresh milk will have to come down and the dairies, along with everyone else, will see their profits trimmed.

Protected

It would be wrong to sound too alarmist about prospects. The dairy industry as a whole may be moving away from its traditional secure niche, where it was regulated and protected by the Government, into a market where it must fight on a competitive basis—but that has long been the lot of most other food producers.

And, anyway, most of the major dairy groups are diversified animals with limited reliance on milk profits. The largest supplier of liquid milk to Britain's families is the Co-operative movement—undoubtedly fragmented, but still accounting for nearly 30 per cent of the milk market. The CWS Milk Group in its own right is one of the top five

dairy companies.

Unigate, with close to 20 per cent of the market, has, perhaps, the widest exposure of the majors. Unigate has indeed diversified, but not always successfully, as Scot-Bowyers amply demonstrates. However, in the year to last March, £26.5m of its £43.7m pre-tax profit came from its dairy activities. True, dairies are more than liquid milk, but probably 30 per cent of its profits still come from the dairy — pinta.

Express Dairies may be a major in industry terms, but within the mighty Grand Metropolitan empire its contribution to an anticipated profit of £300m this year is relatively minute. Northern and Associated have market shares in single figures and both have been adept at using a strong cash flow from the weekly round to invest in other non-dairy sectors.

Nevertheless, the dairy industry has to grasp some unpleasant nettles: imports, competition from the supermarkets, long-term over-capacity and over-production within the EEC, which is a serious drain on Community funds.

Finally, there are all those remaining restrictive practices to be hauled over. Most of those are historic and have been dismantled—most, but not all.

Terry Garrett

Automation tightens processing control

LIKE MOST manufacturing sectors, the dairy industry is under increasing pressure to improve productivity. Competition is intense, particularly in the higher value added products, and the supply of liquid milk is limited.

Fortunately, there are still many opportunities to cut production costs, improve yields and quality control and reduce waste, thanks to the development of new production processes and the automation of existing ones.

The most important developments in dairy equipment in recent years have been in automation. The drop in the cost of electronics has enabled dairies to automate the control of more and more of their machines. Indeed, it is now increasingly common to have all processing computer-controlled in a dairy.

The £10m Marshfield Dairy, opened by Unigate in South Wales earlier this year, has complete computer-control of processing, and the result is a 50 per cent improvement in efficiency over the plant it replaced.

The main benefits from automation in the dairy industry are the reduction in manpower needs and the more precise control of processing, which enables the dairy to produce goods of more consistent quality.

Computer-based control technology also enable producers to use their plant more flexibly than in the past. For example, Express Dairies' new cheese plant at Ruyton XI Towns in Shropshire is capable of making 28 types of cheese.

The latest trend in process controls is to small capacity, inexpensive systems that can be used to control a single piece of equipment. Both Alfa Laval of Sweden and APV of Britain have introduced new products recently for this market.

Traditional

The traditional dairy equipment suppliers are facing increasing competition from the specialised process control manufacturers, such as Siemens of Germany, GEC of Britain, Allen-Bradley and General Electric of the U.S., but they hope to hold their own through offering specialised software support for dairy equipment.

Another important technological development in dairy equipment area is ultra-filtration. This technology, used first for water purification, separates components of liquids by forcing them through a very fine membrane. In dairying applications, it offers a much more precise method of

separation than the traditional centrifugal method. The first ultra-filtration systems for dairy products were installed about two years ago, and the first in the UK has just been opened by the Scottish Milk Marketing Board at Stranraer to make Feta cheese for export to Eastern Mediterranean markets.

The increased focus on cheese inevitably brings with it more whey by-product, and new equipment has been developed recently to make the whey more widely useable.

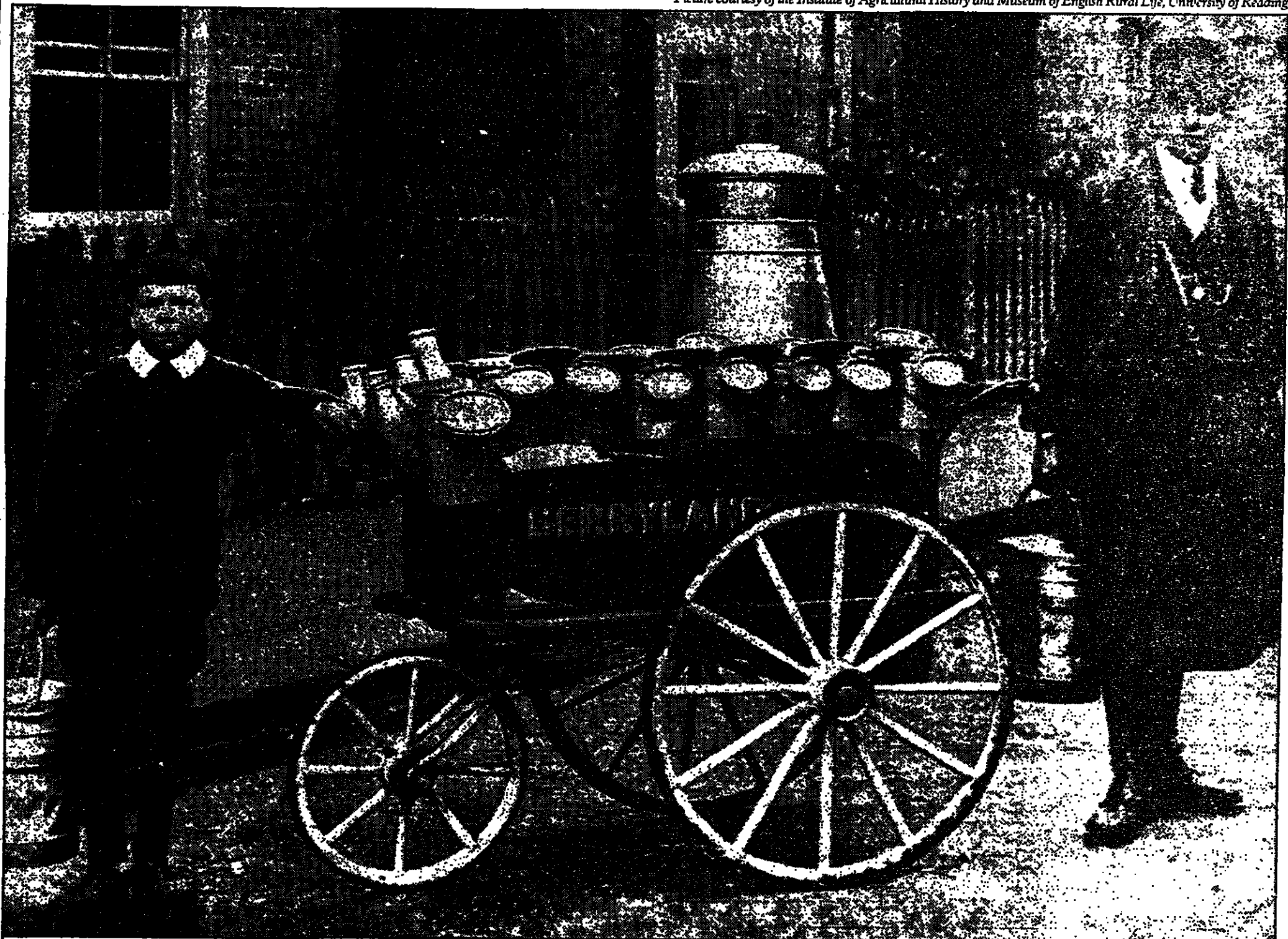
One machine, for example, concentrates the solids from the liquid whey, and the spray-dried solids are then used in preparing pet foods, chocolate bars, cake mixes and other packaged foods.

On the distribution front, the major dairies are planning gradually to phase out their direct milk delivery systems in favour of supplying supermarkets and shops.

However, the roundsman is still the main factor in the dairy products distribution system, and some effort is being put into improving the financial control of that operation. GK Computer Services, a small software company, has developed a system that enables the roundsman to enter all his daily transactions on a pocket terminal, and then settle his account with the dairy at the end of the day. The system offers improved cash flow for the dairy and less danger of loss or dispute between the dairy and the roundsman.

Ian Rodger

Picture courtesy of the Institute of Agricultural History and Museum of English Rural Life, University of Reading.



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The milk market

CONTINUED FROM PREVIOUS PAGE

The health and fitness boom of recent years has helped sales of low-calorie skimmed milks; Sainsbury's, in particular, has actively promoted sales of these.

Although the dairy industry's dependence on liquid milk sales has diminished over the past decade as more milk has gone into manufactured products such as cheese and butter, it is still a vitally important part of the whole trade. Hence, the concern with which the industry faces the threat to doorstep-delivered milk as a result of cheaper UHT milk soon becoming more widely available in food stores.

Deliveries

The doorstep delivery service is one that is greatly valued by consumers, according to various surveys. A "Which?" magazine report, for example, found that nearly 90 per cent of people questioned said that they would not switch to buying milk from a shop—even if ordinary milk was cheaper there.

Of those who said they would think about buying from a shop or supermarket, most said that ordinary milk would have to be at least 2p per pint cheaper. The main reasons given for liking doorstep deliveries were convenience and a general approval of the idea of doorstep delivery, perhaps as a social service or even as part of "our way of life."

The increased presence of imported UHT milk would put some pressure on the traditional operators to become more aggressive and, perhaps, offer

milk at a more competitive price. The main fears of the dairies, however, are that it will only take a small switch to shop sales to make many daily milk rounds uneconomic.

Doorstep delivery services are costly, both in terms of manpower and fuel costs, and the decline of most other commercial doorstep delivery services shows how uneconomic they can be. But the Scottish example has shown that perhaps a lower level of doorstep delivery service can be offered without bringing down the whole structure.

Almost half the milk bought by Scottish consumers is sold through shops, rather than being delivered, the reason apparently being because Scottish consumers find the delivery service inflexible. In evidence to the House of Commons agriculture committee in 1980, the Scottish milk marketing board said that "in Scotland there is a situation where virtually half the milk is sold through shops, yet we still have what appears to be a viable milk-round system, in the sense that the milk-round system is still almost universal."

There are many within the English and Welsh dairy industry, however, who fear that despite the Scottish experience, the demise of doorstep deliveries will be accelerated by the introduction of UHT imports—with corresponding consequences for the demand for milk as a whole.

David Churchill

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DAIRY INDUSTRY IV

EEC quotas would be unfair to Britain's farmers, argues John Cherrington

Farmers face hard price for success

THE Milk Marketing Board changed the lives and attitudes of dairy farmers out of all recognition. Before its inception a farmer's milk was sold on an annual contract basis, usually from October 1.

The previous few weeks were occupied by a war of nerves with the buyers trying to force next year's price down, while farmers pushed them up or attempted to. Farmers would meet and swear to hold a price in the district, and then a trickle would break away for a surreptitious signing, and in the end those who held out longest found the ground cut from under their feet.

It is true there were a number of competing buyers, but according to well-informed rumour they worked in concert and it was difficult to play one against the other in a way possible with farmers. There were also very wide variations in prices paid which depended on who supplied the liquid markets and who sent their milk for manufacture.

By the time the farmers voted for a Board another factor had entered into the equation. The railways were offering very cheap transport, so that milk from Cumberland and Cornwall could compete on the London streets with milk from the Home Counties.

I started my first farm in October 1933, selling the milk to a London dairy company as my predecessor had done. The Board came into operation half way through the month and the price I was receiving dropped from one shilling a gallon (8p) to 10½d (4p). This was through the operation of the pooling arrangements which the Board initiated so that within quite small regional variations all farmers received more or less the same price.

I should add though that during the previous year I was managing a dairy farm in the West Midlands where the prices received were 5d in the winter and 6d in the summer.

This regional differential has always irritated farmers close to urban areas and a few years ago a group of them took legal

action to try to get the system altered. But as was to be expected under the terms of the marketing Act they did not succeed.

The great majority of farmers outside the town supply areas welcomed the Board, not only because the pooling arrangements pushed their prices well up but they no longer had to worry about finding a buyer once a year.

The Board also took all the milk they produced. Previously buyers would only guarantee to take so much, and then pay a good deal less for the surplus. Great difficulties used to arise in the spring and early summer when there is a natural extra flush of milk, of which buyers used to take the fullest advantage.

Sales pooled

Of course, the Board had to cope with the same variations of supply, but because the total sales were pooled as between the liquid and less rewarding manufacturing markets, farmers received an average price which, although it did reflect the sales difficulties in a flush period—was nothing like as drastic in its effects on an individual farmer's returns under the old system.

It must be said here that the milk boards, for they operate in Scotland and Northern Ireland as well, have relieved farmers of any marketing responsibility and for 50 years now no dairy farmer except those retailing their own milk has had to bother his head about selling his own production. As long as they maintain the hygienic and compositional standards laid down they have a certain market.

This is a state of affairs that many farmers would like to see operating in other fields but the Milk Marketing Board other attempts to use the marketing Acts have failed.

But the Board did not content itself with just selling milk. Over the years it has engaged in its own quality by setting standards for butter, fat and milk solids using price incentives. Some farmers found these difficult to achieve and



Milk yields have dramatically improved in recent years: now there is an embarrassing surplus

there has been a steady exodus from the industry for many of which was one of the causes.

But the decline in herd numbers has been more than matched by a steady increase in productivity; yields per cow have risen by more than 50 per cent since 1960 and are still rising.

The Milk Marketing Board has played a major part in this by organising an insemination service which covers most of the country and providing aids to management which include an accountancy and recording service.

By means of artificial insemination the genetic improvement possible from one bull can be spread over a larger number of females than by any form of natural service. Artificial insemination was a major factor too in the expansion of the Black and White Friesian breed at the expense of the Shorthorn and other local breeds which were dominant until about 25 years ago. Today between 85 and 90 per cent of the British herd is black and white, the highest concentration of the breed in Europe.

More recently, the Friesian, which originated in Holland, is being supplemented by the Holstein from North America and its influence is likely to be reflected in even higher yields per cow in the future. These high-yielding cows, require management of a high order and the

MILK PRODUCTION IN BRITAIN

	1965	1974	1981-82
Number of producers, 000s	124	83	52
Total number of cows, 000s	3,186	3,393	3,280
Number of cows per herd	20	43	59
Average yield per cow, in litres	3,520	3,950	4,745
Total milk sales, in million litres	10,710	13,314	15,162

● Milk and milk products consumption per head in the UK (figures in kg):
Liquid milk 146.5 146.5 126.5
Butter 8.5 8.4 5.5
Cheese 4.6 6.3 5.5

trend is also happening in much of Europe. It is a major factor in the embarrassing growth of the milk surplus which now threatens to bankrupt the Common Agricultural Policy.

This is where the Milk Marketing Board could be said to have failed British farmers. They have been encouraged to be efficient and to produce to the limit of their farm's resources without any consideration being given to a future marketing crisis.

There was a period in the early 1960s when similar marketing difficulties arose; at that time the British Government, which guaranteed the prices, instituted the standard quantity system only paying to support a proportion of the milk output.

A number of farmers tried to institute a quota scheme which would guarantee a price for a proportion of a farmer's output and penalising him for any production in excess of that amount. The Milk Board and the larger producers insisted that the penalty should be averaged over everyone, so reducing the price paid over every gallon. This saved the Government's money

but did nothing to reduce production, in fact it stimulated it as farmers strove to increase production to cut their unit costs.

Full membership of the Community removed the Standard Quantity price limitations, but the question of limitation is becoming acute. The Commission is now proposing a form of quota which, if enacted, will penalise the expanding UK dairy farmer by cutting the price for any excess production over the 1981 level plus 1 per cent by 70 per cent. The irony of this situation is that Britain alone of the member countries has the facilities for enforcing the quotas because almost all milk is sold through the boards and every delivery is recorded.

By this means the Commission hopes to raise about £500m which roughly 30 per cent will come from Britain. This is being strongly opposed by farmers and the Board as being an unfair sharing of the burden as only 15 per cent of total EEC supplies are produced here. It does look as though dairy farmers are going to be punished for their own success.

Robin Reeves reports on a prosperous Welsh farm

The fruits of hard work and a long day

GWILYM DAVIES took over a 50-acre county council holding at Llangadog, Dyfed, at the age of 26 in 1959 because he was keen to continue in farming. The family farm was too large enough to support both him and his brother.

He began with eight milkers and within two years had 35. After six years he was able to increase his herd of pure Friesians to 50. The council recognised that 50 acres was hardly enough to provide a full-time living, so it added 20 more acres to Mr Davies's holding by splitting up a neighbouring farm which had fallen vacant.

Four years ago Mr Davies acquired a further 35 acres of accommodation land nearby to enable the farm also to support his by now grown-up son Carwyn. Today the farm is able to carry 70 milkers and 40 to 45 replacements. The foundation for this growth, as for hundreds of small farmers like Mr Davies, is the monthly cheque from the Milk Marketing Board ("one thing we have never done is worry about") and sustained hard work.

Immaculately kept
Mr Davies's farm is immaculately kept and as efficiently run as any modern factory. Carefully-kept records ensure that he knows precisely how his business is faring at any one time.

The working day starts—seven days a week, year in year out—with the first milking at 6 am. By the time the family sits down for breakfast at about 8.15, 70 cows have been milked and the parlour, dairy and collecting yards hosed down ready for the second milking at 6 pm. This takes another two hours. The rest of the day is taken up with a variety of jobs about the farm. In summer, crop of hay and two crops of silage have to be cut over a period of three months. In winter, when the land is kept inside, the subsidies have to be cleaned daily. If the weather is favourable, slurry—the best and cheapest of fertilisers—must be carried out to the fields.

There are some slack periods, but the small dairy farmer is on call 24 hours a day, not least when a cow is calving. This can occur any time of the day or night.

Mr Davies reckons that his working year averages 50.95 hours a week. He and his wife, Yvonna, have only rarely taken a holiday (by employing a relief milker). Even a day's outing to, say, the Royal Welsh Show has involved rushing back by 6 pm to do the evening milking. On a few occasions when Mr Davies had to go into hospital his wife took over the milking for several weeks.

They are not complaining,

however. "It's a good life, mind you," he says. Now that Carwyn is also working on the farm they have much more flexibility.

There has never been any question of producing anything other than milk. Mr Davies's farm occupies low-lying land along the river Tawe and grows beautiful, rich grass. Given the size of the farm, beef production would not yield a reasonable living, and it is not really suitable for sheep.

Interestingly, given the background of mounting European dairy surpluses and intermittent schemes to persuade farmers to switch out of milk, Mr Davies's cows are not producing any more milk than they did 14 years ago. The average yield per cow works out at 5,722 litres a year.

Mr Davies aims to operate a low cost dairy farm by producing as much milk as possible from grass. Ideally, the cows are indoors only from mid-December to the end of February and the use of concentrated feed is limited to 1.3 tonnes a year, or 0.233 kg per litre of milk produced.

Thanks to successive milk price increases, his margin over concentrates—the standard yardstick of performance in the industry—has risen from £140 per cow in the early 1970s to £447 now. Because his input costs over the same period has been equally large, Fertiliser prices have increased from £35 a tonne to £180 a tonne. Fixed costs like water and electricity have also risen relentlessly.

A tractor which cost £750 when Mr Davies began farming, now costs \$8,000. Indeed, he would no longer contemplate buying a new tractor but go for a good second-hand machine instead.

Cutting cups

Arguments in favour of small farmers sharing their machinery co-operatively or relying on outside contractors are all very well, but Mr Davies is one of the many farmers who believes that a vital part of efficient management is to be able to cut his hay and silage crops at the right time rather than risk spoilage by bad weather.

Mr Davies is well aware of the current difficulties in the dairy market. But if the milk price were held down in an attempt to reduce the cost of EEC dairy support, he would be tempted to raise his milk output to compensate for it.

"We could probably push up our milk yield by another 150 litres per cow," he says. But he is reluctant to do so. Higher yields mean greater stress on the cows, reducing their lifespan and possibly increasing veterinary costs.

"Alternatively, we could milk an extra 10 cows, but it would

mean much higher cake and fertiliser costs and serious difficulties in wet weather." If land is overstocked, much valuable grass can be lost in wet weather when it is churped up by the cows' hooves. The only alternative sometimes is to take cattle indoors and resume more expensive indoor feeding.

Against this background Mr Davies is critical of the Milk Marketing Board's new policy of encouraging greater winter production by guaranteeing a higher price in the winter months. The MMB's economic logic—improved utilisation of its processing capacity—is impeccable. But it hardly squares with attempts to promote a better balance in the European dairy market or one small Welsh dairy farmer's efforts to produce milk efficiently at low cost.

The Clifford's Dairies Group

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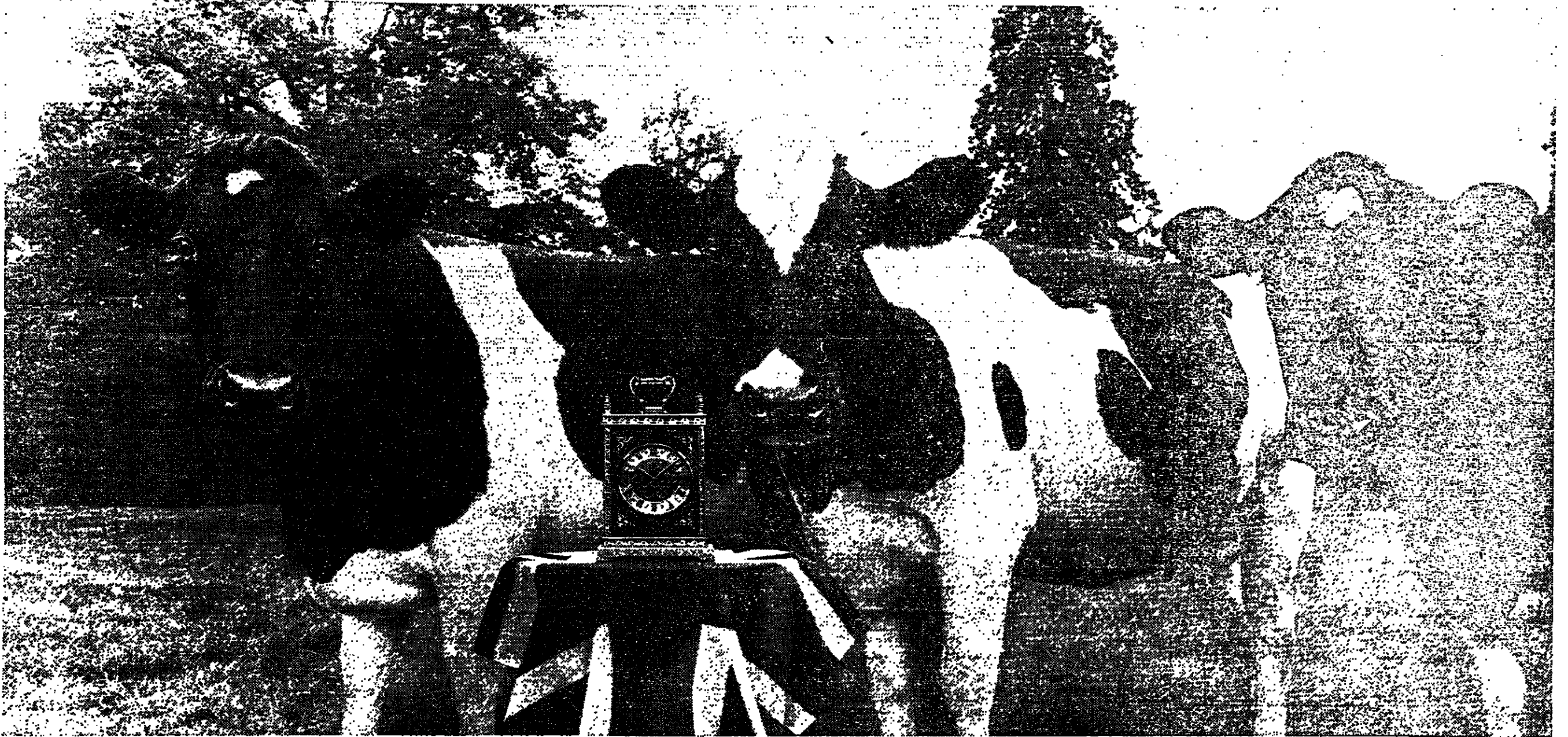
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More are on the way as Dairy Crest gears up for further market expansion. For example, the new soft white Melbury cheese, now on test market in the south, will compete in the Continental soft cheese market along with Lymeswold.

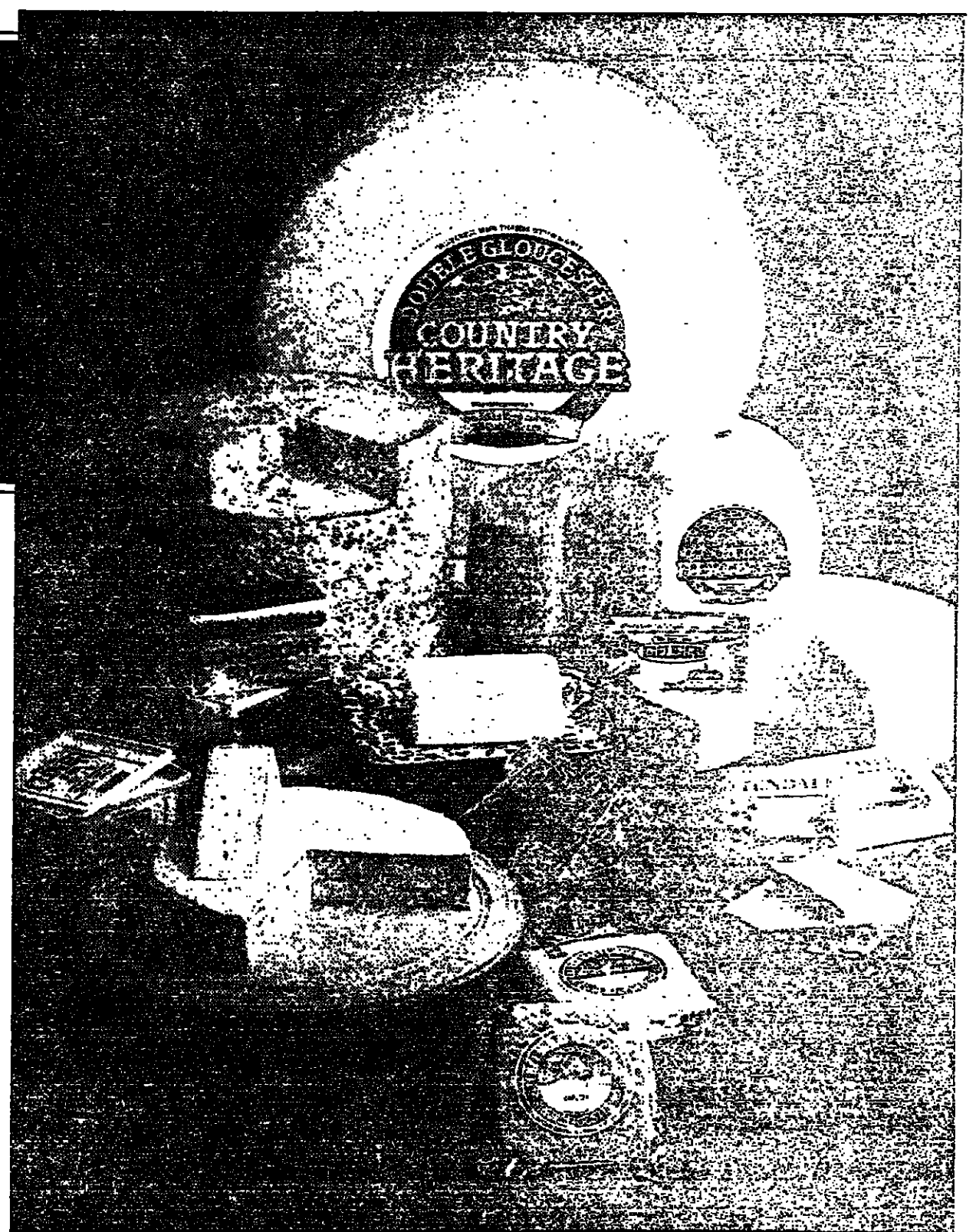
Other innovations are succeeding, too. Clover, the new dairy spread on test in the Midlands since September, is proving a major success as housewives recognise its

"spread straight from the fridge" advantage and buttery taste.

Tendale, a major breakthrough in low-fat Cheddar and Cheshire type cheeses, is now available nationally.

Cheesemasters Choice, the new high quality range of pre-packed cheese is selling well across Britain. And the whole range of Dairy Crest wheels and traditional cheeses is now being presented to the grocery trade under the Country Heritage label.

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Dairy Crest
THE INNOVATORS

DAIRY INDUSTRY VI

Changes in packaging: why the glass manufacturers are campaigning for doorstep deliveries

Growing anxiety among the bottle-makers

BRITAIN'S glass manufacturers are planning this month to float a giant milk bottle down the River Thames to the very doorstep of the Houses of Parliament.

They are also planning to distribute 1m real milk bottles inscribed, in red and blue, with the slogan: "Doorstep delivery: fresh, British and best."

The move coincides with the milk producers' last ditch attempt to stem the flow into Britain of cheaper, long-life milk from the Continent.

However, the Glass Manufacturers' Federation is really less worried about the nationality of the milk carried in their bottles than about the other threats to that hallowed British institution: the doorstep delivery service.

At a time when the glass industry has been battered by the recession, by growing imports, and by ferocious competition from rival forms of packaging, the survival of the doorstep "pint" is of vital importance to its prosperity.

With glass milk bottles still going to more than 80 per cent of British homes, the bottle makers are concerned when they hear supermarket proprietors threaten to put the doorstep milkman out of business by offering cut-price milk.

They are only too aware of the unique place glass holds in the British dairy industry compared with other countries.

In France, cartons account for 70 per cent of milk packaging, with plastics taking the remainder. In Sweden, Norway

and Finland, the world's major paper-producing countries, there is no rival at all to cartons.

Of the 5.7bn containers manufactured by the UK glass industry last year, almost 500m (or 8 per cent) were milk bottles, taking fourth place after the containers used for food, wines and spirits, and beer and cider. Sales to the dairy industry, the Federation says, are worth £30m.

Most of the milk bottles are now lightweight, 9 or "pintles," with their distinct sausage-like shape. Every day, about 30m bottles are put on 15m doorsteps, each bottle being used for about 22 deliveries. The Federation, which is not generally enthusiastic about re-usable bottles, proudly calls this "Europe's best example of a returnable packaging system."

The glass industry pins great importance on the milk bottle since it was the only growing sector at a time when total output of glass containers was in decline.

This increase was deceptive, however: it was simply due to the dairy industry's switch to the "pintle" from the previous 12 oz bottle. Otherwise, the glass manufacturers have been suffering from a decline in their share of the packaged milk market and from the overall decline in milk consumption.

The move to cartons and other alternative forms of packaging was due to the growing amount of fresh milk being sold in supermarkets and shops.

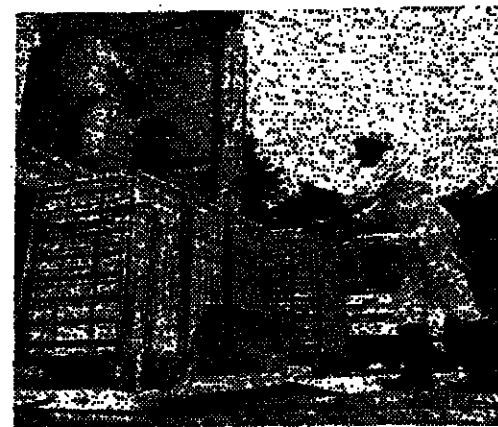
The Milk Carton Manufacturers' Association claims that, in 1982, 15 per cent of all milk in the UK was sold in cartons, compared with 4.8 per cent in 1973. There are indications that in 1983 cartons will account for 18 per cent of packaged milk.

The change in the pattern of milk purchasing is due to various factors. They include the price of the doorstep pint, smaller family orders, and the preference of working wives to include milk with their other purchases.

Regional and environmental factors also hit doorstep deliveries: they are difficult to make in urban centres with large high-rise flats, or in thinly populated rural areas. In Scotland, it is estimated that more than half the milk is now sold in cartons rather than bottles.

The three main carton suppliers are Elopak, Tetra Pak and Bova Consumer Packaging. Elopak, based in Norway, is one of a series of companies in various parts of the world who are licensed to use patents of the U.S. Ex-Cello Corporation.

Whereas the strength of Tetra Pak and Bova Consumer Packaging is predominantly in aseptic packaging techniques, used for long-life products, the Elopak is identified primarily with fresh, pasteurised products and claims 41 per cent of the UK carton milk market. Elopak credits its rivals Tetra Pak and Bova with 33 per cent and 22 per cent respectively.



MILK CARTONS' GROWING SHARE			
Year	UK milk sales per year in million litres	Milk carton production in million litres	Milk carton, % share of sales
1973	7,507	355	4.8
1975	7,831	547	7.0
1977	7,484	547	7.3
1978	7,379	599	8.1
1979	7,304	764	10.5
1980	7,200	940	13.1
1981	7,001	987	14.1
1982	6,999	1,121	16.0

Source: Milk Carton Manufacturers' Association

Shrink-wrapped cartons from a CombiBloc 5000 machine being loaded into refrigerated transport for delivery to high street retailers

Another newcomer to this market is Mardon Packaging International, Britain's second largest packaging company after Metal Box, which recently introduced a system using a German-built carton making machine.

In Britain, however, the carton companies all recognise the strong national preference for fresh milk. They disclaim any desire to see the overnight collapse of the doorstep delivery system and seem content to see their own market increase at the present steady rate of 2 or 3 per cent a year.

While continually claiming that cartons are cheaper and more energy efficient than glass (which the glass makers strongly refute) the carton makers compete strongly among themselves.

In addition to supplying the machines for constructing and filling their cartons, they aim to offer their customers a "total" service, which includes distribution equipment for easy handling all the way from the dairy to the supermarket floor. They also vie with each other in advice and maintenance services to customers.

Much of their competition focuses on reconciling the

characteristics of the carton which appeal most to the consumer — such as the way it is opened — with the shape which is most convenient for stacking during the distribution chain.

Thus, while the Elopak company says the process of its carton's gable-shaped opening, Tetra Pak points to the easy stacking qualities of its own "Brik" shaped cartons and of another variant, the Tetra-Rec, said to combine both these features.

However, the carton makers are sobered by their common knowledge that they are not the only rivals to the glass bottle and are themselves being challenged by plastic containers now on sale in supermarkets.

The most notable example is the half-gallon container, of which Plym Containers, of Woburn Sands, is the leading UK manufacturer. This company is now producing a polyethylene bottle a week. The speed with which it meets its full capacity of 1.5m a week depends on the speed with which dairies install the necessary filling machines.

Demand

The Plym bottle was developed in response to demand from supermarkets led by Sainsbury and Tesco. Weighing only 40 grammes, it has a jug type handle and is designed to fit inside a domestic fridge door.

At present, these type of bottles are being filled by Express, Unigate, Northern Dairies, Asda, Job's and County Dairies. The next major development could occur once Express starts making these bottles in-plant.

Plastic bottles were introduced

in the U.S. about 15 years ago and now account for an estimated 65 per cent of U.S. milk sales, the remainder being sold mainly in cartons. Most U.S. bottles are made in-plant on "Unilog" machines, built by Hoover International.

Another development being followed closely by the packaging industry is the sale of milk in bulk. Following eight months of activity by the Milk Marketing Board, more than 600 public houses in England and Wales can provide clients with "a pint of the white stuff."

The milk is supplied to the pubs in three-gallon "Pergall" bag-in-box packs made by Bowater. These packs were first introduced by Bowater more than 20 years ago and are said to be widely used in canteens and restaurants.

While the packaging industry has had to provide Britain with fresh milk in a cheap, convenient container, it also plays a major part in developing new milk beverages.

In Britain, Tetra Pak's and Bowater's aseptic filling techniques have been used for fruit juices than for dairy products, although the latter are starting to catch up. Overseas, however, there seems to be no limit to the exotic milk drinks being sold in cartons: from agnolag flavoured milk in Trinidad to mother's milk substitute in Finland.

In Britain, curiosities in Tetra Pak containers include long-life milk with fluoride aimed at protecting children's teeth. Packaging has also played a vital role in the dramatic growth in yoghurt sales in the last 10 years.

Maurice Samuelson

How the admen have transformed milk's market image

New strategy to boost sales

OVER THE past 21 months, a new phrase has crept into every day usage: "gotta lotta bottle." The slogan has become widely accepted as a result of the £6m advertising campaign, sponsored by the National Dairy Council, to increase both sales and the market image for liquid milk.

It is a campaign that appears to be paying dividends as part of the dairy industry's overall attempts to stem the decline in milk consumption.

The campaign developed from the decision in 1981 to bring all

the milk advertising under one agency. Ogilvy and Mather had previously handled the Milk Marketing Board's budget, concentrating on the family market, which Harrison McCann dealt with individual consumers on behalf of the NDC.

The problem was that this split approach accentuated the fundamental problem facing milk's image: it was seen as "traditional and boring" and "lacked relevance to today's lifestyles," according to the campaign pitch put forward by

the aggressive Allen, Brady and Marsh advertising agency which won the contract after a two-week ABM undertook considerable research to find out what consumers thought of milk—research that included everyone involved in the account actually going on early morning milk rounds.

This research found that most people had a strong affinity for milk, associating it with fitness, freshness, and health. But the modern generation of potential milk consumers felt the product was old-fashioned and hardly an effective competitor to the growth in soft and carbonated drinks.

Housewives, therefore, were able to cut back on their milk order as prices rose in the late 1970s with little resistance from their families.

The strategy was to "break the glass case of indifference surrounding milk." It set out single-mindedly to capture the adventurous, youthful market who drank little milk as well as broadening the appeal to the whole family—husbands and children—rather than just to the housewives who had been the target of earlier advertising.

As many as six campaign routes were researched by the agency team, but the conclusion that the new campaign had to be intrusive and memorable in order to change attitudes led to the decision to adopt the bottle theme.

The word "bottle" conveys a number of meanings, according to geographical location and social class. For example, to some it means guts and courage, while to others it signifies something better than the rest, an impression of toughness.

ABM's research, however, found that all references to bottle were positive and beneficial to the product in which it was linked. In one phrase, therefore, ABM could devise a campaign not only to alter milk's image but also to promote bottled sales of milk—and hence doorstep deliveries.

Sky-divers

The television commercials and posters used in the campaign have sought to create situations in which a "lotta bottle" was needed—with a bottle of milk featured prominently, as well. Hence, the naked girl entering a man's sauna with a bottle of milk in her hand, the sky-divers drinking milk before jumping out of the plane, or the boy in a football crowd wearing a blue-and-white scarf when all around him are wearing red.

Other commercials have sought to exploit individual markets. One commercial had a "Jungle Book" style cartoon—with all the voices played by Peter Ustinov—while another featured prominent sportsmen such as Steve Davis and Eric Bristow.

All the available evidence points to ABM having succeeded in raising milk's popularity with consumers and having begun to shift their attitude towards it in such a way that they now regard it as being a more modern, more socially acceptable drink.

ABM cites as an example of this shift the rapid growth of

milk in pubs.

Five years ago, the concept of milk in pubs would have been very difficult to get accepted, says ABM, "but now milk is beginning to re-enter people's repertoire of drinks and it is no longer considered strange to want to drink milk when there are alternative drinks available."

Yet the question remains: how effective is the advertising if milk sales are still declining? ABM points out that the dairy industry has "commissioned two separate independent studies which have shown that even with twice the amount of advertising, the campaign would still pay for itself, in terms of increased sales."

Moreover, ABM maintains that "milk sales would be declining a lot faster without advertising support."

Adonis

The milk commercials are being run fairly continuously throughout the year, with new ones being added from time to time. The latest burst of ads features women ogling at an apparently naked, muscle-bound Adonis in a life-drawing class (although viewers are given a glimpse of his swimming trunks) as well as a girl panicking along what looks like a nudist beach but seen through the slats of a carefully-placed fence.

The new commercials also feature a new copyline—"Fresh milk's gotta lotta bottle"—to support the doorstep delivery service which is under threat from the advent of UHT milk.

The campaign to boost milk's sales and change its image has not, however, been all advertising-based. A major sponsorship programme was developed with the Football League Cup being renamed the Milk Cup.

In addition, the MMB has undertaken various promotions, the latest being a special family cookbook which has reached up sales of 1.2m so far. This cookbook is only available through milkmen.

Although milk is the major promotional account, the National Dairy Council also promotes cheese with a £3.5m budget handled by Geers Gross, and cream with a £2m budget handled by the Advertising Agency Partnership. Ogilvy and Mather also handle the separate "naughty but nice" generic advertising for cream, under the sponsorship of the MMB.

One novel development in milk advertising has been to put ads on the bottles themselves. Over 30 brands—including Kellogg's, Cadbury's, Maclean's, Lactogen, and LBC Radio—have already been featured on milk-bottle ads, while the dairies themselves have also advertised the range of dairy products available in this way.

David Humphries, marketing manager of Rockware Glass, argues that "the concept brings a fresh and colourful dimension to milk marketing." Kellogg's, for example, found that the rate of purchase for corn flakes went up by 10 per cent while the ads on bottles campaign were featured in certain areas.

David Churchill

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DAIRY INDUSTRY VII



Computerised calf-feeding system: this calf is wearing a Responder identification system around its neck. The system, from Cattle Code of Bourton-on-the-Water, Gloucestershire, allows a computer to check and control milk rations, as well as providing a print-out once every 12 hours on individual feeding patterns for around 40 calves. The system won the Barclays Bank silver medal for new equipment at the Royal Show

Cautious optimism in the butter sector

THE STORY of butter over the last decade has been a complex one, with EEC subsidies, the butter "mountain," the price of margarine and the health controversy all playing a part.

Over the past five years, butter has lost 18 per cent of the static UK domestic yellow fats market to margarine and now takes about 36 per cent of sales as against margarine's 64 per cent.

If the EEC subsidy is removed—some 8p per 250 grammes—and if the oil element on margarine is not taxed, UK butter producers believe that the market could go down a further six to seven per cent. However, manufacturers are as yet not over-dependent provided intervention support continues.

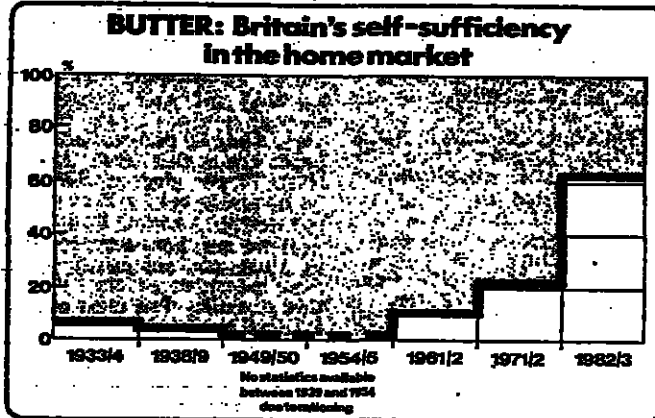
In terms of the market, manufacturers are optimistic if extremely cautious. Mr David Jones, manager of marketing economics at the Milk Marketing Board, said: "We have got into the habit of seeing the butter market lose out to margarine. But within the last 12 months we have seen a slowing down in the trends."

"At the moment, the figures are going down by between 2 to 2.5 per cent which is the slowest decline for some years."

Price levels

"There has been no real increase in butter prices this year on last year, but we are starting to see increases in these of margarine. We also have the prospect of further substantial increases in margarine prices because of the U.S. soybean harvest. So, as of now, the prospects for butter are not too bad. Whether we have turned the corner or not, it is too early to say."

Sales of butter in the UK are worth about £390m at retail prices. Some 34 per cent is UK produced with Anchor, the UK arm of the New Zealand Dairy Board being the major importer of butter with other imports com-



ing from Denmark, Ireland and other European countries including Germany and Holland.

Recent developments in the market include the production of more "spreads" such as Clover, launched by Dairy Crest, the commercial arm of the Milk Marketing Board.

Clover can be spread straight from the fridge; like butter, it is made from fresh cream churned in a buttermaker, but with some natural oil added. Launched in September, it is currently only available in the Midlands because Dairy Crest is test-marketing the product in the Central TV area.

Clover, according to Dairy Crest, is not expected to appeal to "committed" butter-buyers, but rather to people who like the taste of butter, but who prefer the convenience of soft margarine.

The total British butter and margarine market is worth about £700m a year at retail prices and Dairy Crest hopes to obtain about a £20m share with Clover. Cheaper butters now cost about 44p to 45p per 250 grammes and Clover may undersell them by one or two pence.

It is along this route, i.e., the

"spreads" which are, in effect, butter with some oil added, that the major dairies are progressing. This in effect will enable them to produce a lower-calorie product, and able to compete in a growing sector.

Other areas of development include "added-value" products, such as butter impregnated with herbs or seasoning; the children's market is also being investigated with flavoured butters being identified as a growth area.

What has emerged in the butter manufacturers' struggle against margarine is a strengthening of the promotion of butter generally, as against brands. The Butter Information Council this year will spend some £3.5m promoting butter—a significant sum, although it is about the same amount as is spent promoting brands of margarine.

The council also spends much time providing information for the medical professions, although the state of play on the debate concerning animal fats and coronary heart disease is as yet inconclusive.

Lisa Wood

Britain's cheese-makers make history

BRITISH cheese-makers made history just over 12 months ago by launching the first new English cheese in more than 200 years.

Lymeswold, launched by Dairy Crest, the commercial subsidiary of the Milk Marketing Board, is a full-fat, soft blue cheese, developed at a cost of about £5m.

Part of the reason that it took so long to develop a new speciality British cheese is because of the UK's changing tastes in cheese-eating.

First, the British eat less cheese per capita than anywhere else in the western world—about 5.5 kilograms a year, compared with 17.3 kilograms per head in France, for example.

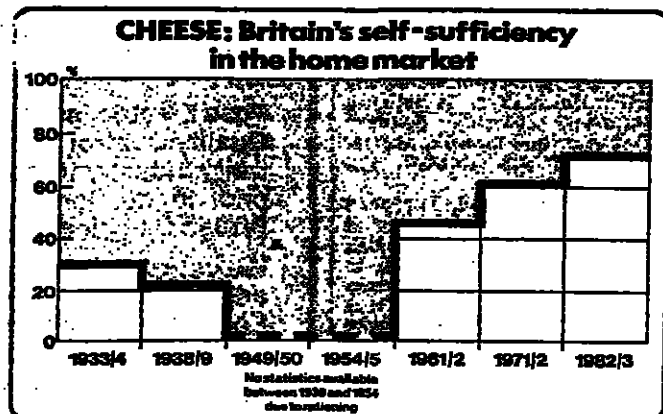
The fairly static market meant that large-scale investment in a new cheese did not make sense.

However, in recent years there has been a slight but strong shift in tastes, with increased interest and consumption of continental soft cheeses and English regional cheeses.

For example, in the 12 months to July 1983, consumption of continental cheeses went up by 7.5 per cent in volume; regional cheeses by 3 per cent while the total cheese market went up by only 0.7 per cent in volume. Processed cheese suffered worst of all, declining by some 6 per cent in volume.

Lymeswold is deemed a "speciality cheese" in a market which has grown by more than 30 per cent in 12 months; although it only has some 4 per cent of the market, it was partly developed to exploit this change in taste and to ensure that the growth in the soft cheese market was not lost to Brie, Camembert or Dolcelatte. For while this is still only a small sector of the total cheese market, it is the one sector tipped for strong growth in the 1980s.

The total UK cheese market



is worth about £646m, with the total value of imports, which include Continental cheeses and imported cheddars being about £160m, approximately 25 per cent of the market in value.

Cheddars dominate the market, making up some 170,520 tonnes of the total 270,000 tonnes consumed in the 12 months to July 1983. English-made mainly "factory"-manufactured cheddar accounts for about 131,000 tonnes of this.

As far as this sector has been concerned there has been "little to cheer about," according to a recent Food and Drink Forecast, produced by the Food and Drink Forecasting group.

Over-supply

"The major producers of hard English cheese have spent the first half of this year in trying to get more for their products from the trade—who have been forcing the price down," says the group. "Some deals have been done at nearly £200/tonne below the official list price recently, the trade claiming the market is simply over-supplied."

It concludes, however, that activity continues, dominated

Lisa Wood

Yoghurt sales soar ahead

OVER THE last decade, yoghurt has emerged as the best-selling products in the food business.

Sales, according to the Food and Drink Forecast, grew by 27 per cent in real terms between 1978-1982. Further growth of 32 per cent is forecast between 1982 and 1987.

Britons in 1982-83 consumed some 837m pots of yoghurt worth £135m of which 6 per cent was natural flavour, with 74 per cent "fructed."

The range of yoghurt flavours in the shops is a far cry from the position 20 years ago when yoghurt, generally natural, was seen as a health food. Today, with consumers more aware of "healthy living" as well as wanting more convenience foods, yoghurt has become a familiar dessert.

The major contenders in this highly competitive market are Express Dairies, who Eden Vale Ski yoghurts command about 37 per cent of the market; "own label" yoghurts with 30 per cent of sales and Unigate's Prize yoghurts, with about 12 per cent of the market.

Over the years, "own brand" yoghurts have featured strongly in the market. J. Sainsbury, Marks & Spencer and the Co-operative stores are the major contenders, with their market share increasing from 24 per cent last year.

Initiative

Varieties of yoghurt flavours have been introduced over the years. In the mid-1960s real fruit rather than just fruit flavouring, was added to yoghurt. Eden Vale took the initiative with its Ski brand, a move which paved the way for the overall market to expand. Ski has the brand leadership which it maintains today.

The industry, however, is not resting on its laurels with the popular flavours. In the future, more exotic tastes may be commonplace, such as kiwi fruit and mango.

Cream, a more traditional favourite, has seen but steady growth in consumption over the decade, which, in the light of the current recession, is a fairly good performance.

UK production is supplemented to a slight extent by imports, largely from Denmark and the Irish Republic, but these constitute only about two per cent of fresh cream, according to a recent Mintel report.

Sterilised cream imports are more important as a percentage of their total market, being equivalent to over 13 per cent of UK production. According to Mintel, they have been particularly important in the ultra-heat treated (UHT) products.

This market has grown apace with UHT cream growing from six per cent of the market in 1978 to 30 per cent in 1982-83.

However, the UHT market is now beginning to stabilise, but only after a 25 per cent growth in the last 12 months.

The industry predicts that 1978 the total market, which stands at 5.9m gallons a year, will rise to 7.2m gallons with UHT enjoying 43 per cent of this, and fresh 57 per cent.

The success of UHT can be partly explained by different uses of cream today, compared with a decade ago. Cream is no longer simply a family treat, bought on Saturday for a lunch. Instead, it is now widely used in cooking; housewives therefore want to spread its use over a longer period.

The brand leader is Express Dairies' Eden Vale, with St Ivel in second place and "own label" including those of Marks & Spencer, the Co-operative Society and Sainsbury's.

Market developments include the use of aerosol cream dispensers, with some 8 per cent of the 270m retail cream market now coming out of an aerosol can. All of this is in the hands of Anchor Foods.

Since its launch some 18 months ago by Anchor, the UK arm of the New Zealand Dairy Board, sales have out-run the most confident market predictions. Today, this convenience product looks set to double its market share in the next 18 months. All of this is rather bad news for a major English dairy which developed the idea 20 years ago.

Future developments that will continue to grow in this added-value sector include flavoured creams, such as chocolate and orange, as well as cream desserts.

L. W.

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The result is maintained milk output plus higher levels of butterfat and protein (and remember, over 50% of milk income comes from butterfat content, over 40% from protein content).

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DAIRY INDUSTRY VIII

European dairy farmers a prime target for cutbacks in Brussels

Cows cost taxpayers 20% of total budget

MILK and milk products are at the centre of both the European Community's cash crisis and the trade war with America over agricultural products, including skimmed milk powder and butter.

Keeping the EEC's 25m cows munching at subsidies cost Community taxpayers £2.5bn last year. This is one-third of the amount spent on agriculture throughout the Community and around 20 per cent of the total EEC budget.

"To paraphrase Mr Churchill, never has so much been given by so many to so few," said one senior U.S. official referring to the European taxpayer's hitherto open-ended commitment to farming.

Not that the Americans have been practising meanness towards their own farmers. This season's payment-in-kind programme (PIK) has cost U.S. taxpayers between £13bn and £16bn.

Twice this year the Americans have been practising meanness towards their own farmers. This season's payment-in-kind programme (PIK) has cost U.S. taxpayers between £13bn and £16bn.

The next most costly item in the EEC budget is the mere £1.29bn spent on building up Europe's grain mountains.

Milk is a more perishable commodity than grain which is one reason why the Commission is continuing to attempt production discipline by price curbs on cereals, while putting a tax on milk output.

Price has been used in the past to curb milk production along with measures such as payments to farmers to cease keeping cows altogether. However, these measures failed for the simple reason that farmers, like many small businesses, merely increase production to maintain profitability.

Faced with such largesse as "golden handshakes" to get out of dairying, farmers merely provided accounts with more work devising methods whereby they could take the money and get back into farming as quickly as possible.

The rise in production of milk and milk products, while consumption for all but cheese has fallen throughout the Community has also caused an expensive rise in stocks held by EEC Governments. Currently, Government-owned and private storage stocks of butter amount to 870,000 tonnes, while a further 1m



The cheese market at Alkmaar in Holland

tonnes of skimmed milk powder (SMP) is taking up more space. Stockpiling in both commodities has been rising steadily during this year.

By contrast, the average European's taste for milk and butter is still sliding. In 1965, liquid milk consumption in Germany, France, Italy, Holland, Belgium, Luxembourg, Eire, Denmark and the UK averaged 96.5 kilos per head.

More semi-skimmed

By 1980 this had fallen to 74.1 kg/head and this drop has not been compensated by the rise in semi-skimmed milk consumption.

Britain's doorstep delivery system has not made the UK immune from this phenomenon. During the 15 years to 1980 liquid milk consumption in the UK fell by over 9 per cent.

The great fear in both Whitehall and Brussels is that a falling away of doorstep deliveries in the UK could help precipitate a decline in consumption on the same spectacular scale as in Holland.

Dutch milk consumption has fallen by a massive 240 per cent between 1965 and 1981—a factor directly attributed to the disappearance of deliveries to people's homes. Consumption in the UK remains the highest with the exception of Eire.

These falls in consumption have occurred against a steady rise in the potential of European farmers to produce more milk per cow. Over the 1960-81 period average yields in the 10 members of the EEC rose by almost 42 per cent.

This rise has been more than reflected in the two countries with the largest number of dairy cattle, Germany and France.

Prospect of long-life milk imports from Europe

Continental UHT milk threatens to flood UK market

ULTRA HEAT TREATMENT (UHT) is an extension of the pasteurising process which enables milk to be kept longer in its passage from the dairy to the point of sale. The process is not particularly new, and has been used for supplies sold in shops and particularly for deliveries to outlying areas such as the Highlands and Islands of Scotland. Packed in cartons, it takes up much less room than returnable bottles, and obviously weighs a good deal less, so easing transport costs.

UHT milk also stores well and is more convenient for areas where there is little in the way of doorstep delivery, as in some Scottish towns. However, it has yet to make a significant impact on the liquid market because although it would be more applicable to shop sales, the price at which it could be sold in the shops and supermarkets was little different to that which is charged for delivery to the home. The reason for this, although not openly admitted, is that the processing dairies had a vested interest in home delivery and are not going to sabotage their most profitable outlets.

Liquid consumption

This is an important consideration to all in the milk industry, producers and distributors alike. Liquid milk consumption in 1970 represented 65 per cent of all sales. By 1981 the proportion had fallen to 47 per cent. This has been partly due to an increase of 27 per cent in overall production and a fall of about 10 per cent in liquid sales volume from a high point in 1975. This trend is still continuing.

The UK retail milk market is particularly valuable as it returns more than that for manufacture into the dairy products into which the EEC turns most of its over-production. The higher price element of this does give UK farmers a financial advantage which at the moment is being attacked by dairying interests in other member states, particularly by Eire.

Some three or four years ago dairies in France, Belgium and the Netherlands attempted to export UHT milk to this country which was clearly an attractive market for them. There were even some lively demonstrations in London streets by angry French and other farmers but to no avail.

Mr Peter Walker, former

Minister of Agriculture, invoked the Milk and Dairies Order to prevent the imports. This lays down that all milk sold for human consumption must be processed under the control of the local authority. As no British local authority can inspect and control dairies on the Continent this seemed to settle the matter.

However, other member countries appealed to the European Commission for assistance and the matter was put before the European Court which is supposed to settle these family squabbles. At the same time a war of words began in which in one moment of hyperbole Mr Walker claimed that his dog would not touch the stuff. As the same dog apparently scents Lymington cheese it cannot be a creature of any great discernment.

However, eventually the Court ruled against the British case.

Shortly before the June general election, the Importation of Milk Act 1983 received the Royal Assent. This paved the way for UHT to be imported into the UK. Under regulations laid before Parliament last week, this will be allowed from November 16. In the fullness of time European UHT milk may find itself on our shelves.

It's probable though that the damage if any, done to the liquid market—which means the doorstep deliveries—could come from much closer to home.

Some supermarkets are beginning to sell UHT milk and are finding supplies. They claim that they can undercut the doorstep delivery price, which is Government-controlled, quite appreciably.

50,000 roundsmen

The milk retailing interests are thoroughly alarmed now and have made common cause with their 50,000 roundsmen in efforts to maintain milk deliveries. Once demand falls below a certain point, they claim, milk rounds could become unviable and jobs would be lost and of course profits, which are believed to have been very good, would evaporate.

There were already problems in this sector. A number of farmers have set themselves up as producer-processors and are retailing and wholesaling to retail outlets at prices the main dairies claim they could not match.

The attraction of the retailing market is the difference between what the farmer receives and the delivered

price. Milk leaves the farm at an average price of 14p a litre or 8.2p a pint and is retailed at 21p a pint. There are of course a good many imponderables in this including the pooling element between the high-priced liquid and lower-priced manufacturing sales, but it gives the producer-processors an incentive to slip in without having to sell his milk to the Board.

So far the number of these perfectly legal operators is not known with certainty, but they could grow, particularly if measures to restrict milk output by producers are imposed in the Community. The Milk Marketing Board's main objection to a good deal further than claiming disruptions in the retail milk market. It believes that once doorstep delivery comes to an end liquid consumption would fall through the floor.

Except for Ireland, European liquid milk consumption is at best only half that in the UK. This is generally put down to an absence of the doorstep delivery and the belief that once the consumer has to make a conscious effort to buy milk, at a shop instead of having it delivered to the door, purchases would fall.

It follows that consumers could begin to question the value of family's milk home and consider buying it instead as powdered or condensed milk. This fall in consumption of liquid milk is evident in the whole European Community and it is probable that, as in other spheres, milk consumption habits generally will harmonise into a new norm.

Any fall in liquid consumption would mean added pressure on the manufacturing market which would mean more butter and skimmed milk powder, already in enormous Community surplus. This could result in a substantial drop in farmers' prices once the more valuable retail contribution has been reduced.

It is possible that at this late stage a means will be found of stopping the import of European UHT milk. In any case the recent strengthening of the 2 makes it less attractive to importers.

It is even doubtful if UHT is the main threat to the doorstep deliveries, which could be from UK farms. But the most serious threat to the whole milk industry could well come from the apparently uncontrollable flood of over-production in Europe about which nothing effective is being done.

John Cherrington

Graham Meadows, agricultural adviser to EEC president Gaston Thorez.

"Agriculture has been sheltered from the recession, helped by the CAP lifebelt and we are proposing to let some air out of the lifebelt," he added.

The pin used to let out the air is a tax on dairy farmers who produce more than 50,000 litres of milk annually and produce more than 15,000 kg of milk per hectare of fodder area.

This tax will be 75 per cent of the target price for milk. The target is a price set each year by the Commission as an "ideal" level at which farmers ought to be paid for their milk and may vary with green rates.

The intervention price is set at 94.5 per cent of this ideal price, so that the proposal suggests a 20 per cent "tax" on production over 60,000 kg.

This has been met with howls of dismay in the UK where it is regarded as discriminatory. There is some justification for this claim.

Only 12 to 15 cows are required to produce the 60,000 kg total and half French and German herds fall into this category, while 80 per cent of Italy's herds are at this level. By contrast, 76 per cent of UK dairy herds are 20 cows and over with the average running at 56 cows.

There are, however, loopholes in what are supposedly stringent measures to curb production of milk. The most obvious is that herds can be split up without impairing efficiency levels too badly.

Moreover, the objections to these measures from EEC dairy producers, while cereal farmers at liberty to continue producing more has caused Commission officials to privately admit that any measure to curb milk production is unlikely to come into force before the end of next year. Agreement among member states is the main factor causing the delay.

The real problem facing the Community's milk and other producers is likely to hit hardest next year in any case. U.S. maize and soya is set for record levels and the cheaper feed costs it is likely to bring in the wake of a higher crop will cut livestock producers' costs.

At the same time, grain exports from the Community—even at subsidised rates—will be much harder, not least because the U.S. has shown willingness to take a trade war to lengths of deciding whose pockets are the deepest.

Robert Bojduniak



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